2-3-10-55

COMMISSION ON COMPENSATION

AND PERSONNEL POLICIES

INTERIM REPORT

Annapolis, Maryland

January, 1981

COMMISSION ON COMPENSATION

AND PERSONNEL POLICIES

INTERIM REPORT

Annapolis, Maryland

January, 1981

STATE OF MARYLAND
EXECUTIVE DEPARTMENT
COMMISSION ON COMPENSATION AND PERSONNEL POLICIES
C/O DEPARTMENT OF BUDGET & FISCAL PLANNING
STATE TREASURY BUILDING
ANNAPOLIS, MARYLAND 21404
301-269-2173

HARRY HUGHES
GOVERNOR

WALTER SONDHEIM, JR.
CHAIRMAN

MEMBERS

JERELEIGH ARCHER
CHARLES COSTA
JODY R. JOHNS
HONORABLE JOHN R. HARGREAVES
HONORABLE ARTHUR H. HELTON, JR.
HONORABLE NANCY K. KOPP
HONORABLE LAURENCE LEVITAN
HONORABLE THOMAS W. SCHMIDT
HONORABLE THEODORE E. THORNTON

January, 1981

The Honorable Harry Hughes
Governor of Maryland
State House
Annapolis, Maryland 21401

Dear Governor Hughes:

There is transmitted herewith an interim report of your Commission on Compensation and Personnel Policies.

The report covers some of the basic issues of our assignment but by no means all of the matters which are being considered by us. A subsequent report will deal with the number of these other items.

We are concerned that this somewhat piecemeal approach, dictated by our feeling of responsibility to overcome the time constraints with which we have been faced, might result in too selective a consideration of our recommendations. Thus it might happen that justification for some of the recommendations submitted with this report would have increased validity only if accompanied by action on items covered in subsequent sections.

Recognizing this dilemma, we nevertheless are confident in urging that the State proceed immediately with consideration of this interim report. Considerable time and work, beyond the responsibilities of this Commission, will be required for translation of the recommendations into practice. We believe strongly that the basic suggestions are sound if the State is to move toward improving its personnel practices, and that modification can be made as these recommendations are translated into the forms necessary for implementation. Moreover, we recognize that the proposed changes will probably have to be phased in over a period of time, because of procedural and legislative concerns and because of financial realities which could well involve some restructuring of budget priorities.

It seems reasonable to assume that in the long run, a more equitable pay structure and an improved employment climate will result in a significant reduction in the number of employees required to carry out State government functions effectively and efficiently. In addition, there are hidden costs in the present system which would be eliminated, such as the apparently widespread practice of reclassification for the sole purpose of giving salary increases to individuals who have reached the top step of their scales.

While recommendations are relatively few in number, we believe that their adoption could have a significant effect in addressing widely held concerns and complaints about some of Maryland's personnel practices. They are an attempt to re-order some of the chaos and irrationality that has developed in the State system over a number of years. We have included extensive background material in order to furnish you with the rationale underlying our findings and recommendations. This basic information may seem elementary to those well acquainted with State personnel practices and procedures but it is included, along with a glossary, in the hope that the report will be intelligible to as broad a constituency as possible.

The Commission wishes to caution that apparent criticisms of operations of the Department of Personnel must be viewed as referring to problems that have developed and grown over a number of years. Some of them are the result of legislative action and some have apparently resulted from a felt need to escape restraints of the State system which seemed too limiting under certain circumstances. These comments should not be taken as a criticism of the present administration and leadership of the Department.

* * * * * * * * * * *

The Commission has to date met 23 times. At the outset we encouraged interested individuals, departments, agencies, and employee organizations to express concerns or make suggestions with respect to any aspect of our assignment. In pursuit of this aim, we have taken personal testimony from more than 50 individuals and have been the recipients of a very large volume of correspondence.

This attempt to be as thorough as possible in the fact finding area has been a significant factor in slowing the rate at which we have proceeded toward the completion of our work. An additional delaying circumstance has been the fact that almost without exception individual members of the Commission have a wide variety of high priority responsibilities. As a consequence, scheduling the meetings has been difficult at all times and virtually impossible during the high activity periods of the General Assembly.

As we have made clear in previous communications to you, we have tried to insure that the pace of our work not impede the normal operations of State government. Early in our deliberations it was apparent that the formulation of our report could not be accomplished with the speed that might seem desirable, and we have repeatedly urged agencies and individuals not to abandon current practices and procedures while hoping for production by the Commission of quick solutions to perceived problems.

We have operated most of the time with a single staff member, David Haupt, who was loaned to us through the cooperation of the Department of Budget and Fiscal Planning. We are pleased to have this opportunity to pay public tribute to his industry, to his intelligent use of extensive experience and training in the personnel field, and to his excellent analytic approach to research material. For unfortunately brief periods of time, we have been the beneficiaries of the skill of two other individuals loaned to us by the Department of

Budget and Fiscal Planning, Roger Winter and John Keavney. (The tenure of each of these individuals was cut short by enticement from State service by other employers.) We would like also to acknowledge the significant help given in the editing of the report by the talent of Odell M. Smith, with whom the Commission has had a short term, independent contract.

Jereleigh Archer
Charles Costa
John R. Hargreaves
Arthur H. Helton, Jr.
Jody R. Johns
Nancy K. Kopp
Laurence Levitan
Thomas W. Schmidt
Theodore E. Thornton

Walter Sondheim, Jr.

Walter Sondheim, Jr. Chairman

SUMMARY OF MAJOR RECOMMENDATIONS

- The State should establish its pay rates to be competitive with compensation provided for similar work in private and public employment. Achievement of this goal, and future adjustments to maintain competitiveness, should be a priority in annual budget formulation. (See pp 18-23)

- The State must correct serious compression and inequities in the pay schedule, and related abuses in the classification system, by adopting a systematic and comprehensive method of grouping related jobs and appropriately setting salaries among them. The classification structure must be cleared of distortions developed over time, and protected by more careful training and control of agency officials who exercise delegated classification authorities. (See pp 47-50)

- The State should begin a long-term effort to improve the management of its work force by building into its ongoing management processes a policy of performance accountability and incentives. The policy should be implemented through use of a salary range for each job class, within which management can set pay for individual employees on the basis of documented performance evaluations and subject to fiscal constraints. Performance evaluations must be based upon established, job-related performance standards. (See pp 51-57)

- The State should retain a consultant, under the guidance of the Commission on Compensation and Personnel Policies, to determine the competitiveness of individual State classifications, to establish and assist in implementing a plan to achieve competitiveness, and to develop compensation survey procedures to be used by the State in maintaining its compensation at competitive levels. It is recommended that this consultant be retained immediately to avoid dangerous delay in achieving an effective personnel system.

TABLE OF CONTENTS

EXTERNAL COMPETITIVENESS

The executive order creating the Commission directed it to determine the extent to which State salary levels are competitive in attracting and retaining a qualified and productive workforce. Accordingly, a first undertaking of the Commission was an attempt to identify the level of the State's external competitiveness, which is to say its capacity to compete in the labor market with other employers, public and private.

This effort to establish the State's external competitiveness produced an abundance of testimony from both management and employee representatives. From that testimony it became apparent that an understanding of the issue demanded answers to the following questions:

- Why should the State be competitive?
- What is the labor market?
- Who is the State's competition?
- What is the State's share of the labor market?
- What are the consequences of not competing actively in the labor market?
- Is there more than one labor market?
- How is the State's competitive position in the labor market measured?
- What is the State's competitive position?
- What is the trend of the State's position and why?
- What, if anything, needs to be done to improve the State's external competitiveness?

An attempt will be made to provide answers to these questions in this section of the report.

Background Considerations

The Need for a Policy on External Competitiveness

State government competes with other public and private employers for workers and must therefore at least approximate the wages offered in the labor market to obtain and retain a competent work force. The labor market, however, is imperfect and complex. There is not a single market price, even for workers in the same occupation with identical abilities. Rather, a range of rates exists, with considerable variation depending upon such things as employer policy, size, industry, and in some cases geographic location. It is therefore necessary for an employer to identify its competition within the labor market and to establish some policy regarding how its salaries should compare with those offered by its competitors. This may be relatively simple for a private company operating within a particular industry, where the competition is fairly well defined and where salary policy flows logically from business objectives. In State government, where the process is complicated by the diversity of activities in which the State operates and by the existence of multiple and sometimes conflicting objectives, it is even more important to set forth clearly a policy to guide decision making concerning how State salaries should compare with those of other employers.

In approaching this matter, the Commission reviewed a great deal of background material in an effort to gain an in-depth understanding of the relationship of State government as an employer to the labor market.

Industrial and Occupational Dimensions of the Labor Market

In Maryland, the State operates, in addition to the services traditionally associated with government operations, hospitals, prisons, colleges and universities, insurance companies, airports, marine terminals, produce markets, television stations, and a variety of enterprises sometimes associated with private undertakings.

In 1978, the State government employed approximately 78,700 persons, comprising roughly 5 percent of the 1,593,600 non-agricultural wage and salary workers in Maryland. Federal and local governments together accounted for approximately 19 percent of the total non-agricultural employment in the State, while private concerns employed the remaining 75 percent. (Chart A shows the percent of Maryland workers employed by State government and the other major sectors in Maryland's economy.)[1]

Federal government employment has a significant influence upon the Maryland labor market. Nearly 18 percent of the entire Federal civilian work force is employed in Maryland, Virginia, and the District of Columbia (See Table 1).

The average annual pay of the 130,370 Federal civilian employees working in Maryland in 1978 was approximately $19,500. This was the highest average pay in any sector of Maryland's economy. (See Table 2).

There is a wide variance in the average pay per employee among different industries. This variation reflects a number of factors, including historical industry practices, the prevalence of part-time and seasonal employment, the average size of establishments, the percentage and strength of union organization, and variations in what is termed the "occupational mix", which is to say the combination of different types of occupations found in the workforce of an employer organization.

The occupational mix of Maryland State government, in terms of broad occupational groups, is similar to that found in service industries and in

---

[1] See Appendix B for all Charts and Tables.

other levels of government. It differs greatly from the occupational staffing patterns found in manufacturing, wholesale and retail trade, transportation and utilities, and construction. Half of the people employed in State government work in management, professional, technical, and related occupations. This contrasts sharply with industries such as manufacturing and construction. (See Chart B)

Because staffing patterns vary so drastically among industries, the relative importance of various sectors of the economy in the statewide labor markets for different occupational groups also varies. Thus, management, professional, technical, and related jobs are heavily concentrated in the government and services sectors, while manufacturing and construction dominate the market for skilled crafts. (Chart C shows the approximate industrial composition of the statewide labor markets for the four broad occupational categories which comprise the State government workforce.)

This type of analysis may be extended to a more detailed occupational level to clarify further the nature of the State's competition for specific jobs. Such information can provide a factual basis for determining which groups of competing employers must be considered if the State is to obtain a realistic picture of its competitive position. For example, the Federal government employs nearly one-third of all computer programmers and analysts working in Maryland (Chart D (3)). Therefore, if the State chooses to ignore Federal salary levels when assessing its competitive position for these jobs, it fails to consider a significant part of the market for this occupational group. Such factors should be taken into consideration both in designing salary surveys and in interpreting published survey data.

There is another facet of the relationship of State government as an employer to the labor market. The relative importance of the State itself as an employer varies widely among occupations (See Chart D). Although State government is in general a relatively large employer within Maryland, it is a relatively insignificant influence in the total labor market for some of the occupational groups it employs. Conversely, there are other occupations for which State government is a dominant influence in the market. This has important operational and policy implications.

In those occupations for which State government represents a small share of the employment market, the relationship of State pay to externally prevailing rates is a critical determinant of the State's ability to attract and retain capable people. Present and potential employees in these occupations find that there is great demand for their services in sectors other than State government. Since, in general, employees prefer more pay to less pay, and competing employers attempt to select more qualified over less qualified applicants, there is a tendency for the more capable people to gravitate toward the higher paying employers. Thus, the consequences of not maintaining competitive salary levels for these occupations are loss of experienced staff (with a tendency for the most capable people to leave first), a lower quality pool of applicants from whom to select replacements, and, in the case of occupations in which there is a labor shortage, difficulty in recruiting even minimally qualified people.

Testimony received by the Commission indicated that this may be the case in State government. A typical example was the testimony of Ronald Moser, Assistant Secretary of the Maryland Department of Transportation. He said:

"In DOT's view, the State's current salary structure and related policies are in many respects not only inconsistent with the concept of accomplishing work in an efficient and cost effective manner, but they also fail to recognize what can literally be described as the 'cost of living'.

"When specifics are examined, the disparities between the State's salary structure and policies, and those of other organizations having workforce performance requirements similar to DOT's become especially apparent -- as do their operating implications. It has been, and continues to be, the Department's experience that these disparities result in the following:

1. They make it unreasonably difficult and in some cases impossible to compete effectively with other organizations to recruit the talent needed by DOT to accomplish its mission. Depending on the experience and expertise required, the nature of the work to be assigned and work location, these 'other' organizations may include city governments in and around Maryland, county governments, the Federal Service, the private sector or a combination of them.
2. They increase the probability of the Department's losing employees who, by virtue of experience acquired through longevity and their familiarity with State programs and practices, are critical to the Department's continuing efforts."

On the same subject, this is what David Williams, Chief of the Management Information Systems Division of the Department of Budget and Fiscal Planning, had to say:

"I mentioned earlier that I had solicited comments from sixteen directors of the State data centers and senior agency data processing officials. I'd like to share with you a summarization of what they believe are the major problems facing the State in the personnel area:

- Our salaries are too low to attract and retain qualified technical people.
- We are losing our most capable personnel to non-State employment.
- We have a general lack of skills within the community. We are settling for mediocrity because that's all we can get. ...

" ... While there are multiple reasons for these trends, salary is certainly one of them, and if we can believe the leaders of the (data processing) community, it is a universal, consistent and, maybe even the chief, contributing element to our difficulties."

The salary relationship as described in this testimony may not be so obvious for other occupations for which State government is a dominant influence in the market. For some of these jobs, there may be few, or perhaps no, directly comparable jobs outside of State government for which salary comparisons can be made. At first glance, it might appear that the State government is in the enviable position of being able to dictate any salary it chooses to pay for those occupations in which it enjoys considerable market power. Realistically, however, economists and researchers note several factors which may intervene to limit this discretion:

- People can and do change occupations. Occupational mobility is actually quite high within broad occupational groups.
- Although not all employees may have the willingness or the ability to change occupations, the productivity of State government operations and the quality of services delivered to the citizens of Maryland may deteriorate or be disrupted severely if many employees who deliver the services begin to feel that they are being treated unfairly and yet feel trapped in their jobs.
- Where State government is a large influence in the labor market for an occupation, its pay practices can inflate artificially or depress the market for that occupation. This can affect the labor costs of other employers and may generate manpower imbalances and other misallocations of resources.

Thus, from a point of view of public policy, it is important that the State act responsibly in setting and maintaining salaries for all of its jobs, whether or not they are in occupations for which the State faces a great deal of direct outside competition.

Geographic Dimensions of the Labor Market

Up to this point, attention has been focused on the State government's relationship to the industrial and occupational dimensions of the labor market. Experts say there is also a geographic dimension which must be considered. The importance of the geographic dimension is directly related to the occupational dimension. This is how one expert stated the proposition:

> " ... (T)he boundaries of a labor market ... depend upon the occupations for which wage information is to be obtained.
>
> "For unskilled, semi-skilled, and skilled craft positions, knowledge of wage rates in the local labor market is usually sufficient for wage-setting purposes. Thus, in a wage survey, data would be sought primarily from firms operating within this market. It may even be feasible for a government to define the local labor market as coterminous with the geographical boundaries of the political jursidiction it governs. For professional occupations and for executive and managerial jobs, however, labor markets are relatively wider in scope so that regional or even national wage data might be required by government wage setters."[1]

The U.S. Bureau of Labor Statistics, which conducts both nationwide and area pay surveys, states it this way:

> "Clerical employees usually are recruited locally while professional and administrative positions tend to be recruited on a broader regional or national basis."[2]

Thus, while the geographic scope of the labor market for the State's blue-collar and clerical positions is local, the market for professional, administrative, and managerial jobs is regional or national in scope. Whether the State chooses to recruit and hire on a national basis or to limit its recruiting and hiring efforts to Maryland, the pay structure of the market in which it must compete for professional, administrative, and

---

1 Lewin, David, "The Prevailing Wage Principle and Public Wage Decisions," Public Personnel Management, Vol. 3, No. 6 (Nov.-Dec., 1974), p. 476.

2 U.S. Department of Labor, Bureau of Labor Statistics, National Survey of Professional, Administrative, Technical, and Clerical Pay, March, 1978.

management talent is determined by employers competing on a regional or national basis.

In the analyses which follow, the Commission has taken these principles into account.

Measuring Competitiveness

We have examined the nature of the labor market in which the State must compete for employees. Given the complexities of that market, how can the State measure the competitiveness of its compensation?

One approach is to measure the results of compensation practices in terms of recruitment and retention statistics. This method assumes that State compensation is competitive as long as there are people willing to take State jobs and as long as turnover is within acceptable limits. This method has the advantages of being easily understood and is ostensibly based on hard, objective data. There are several disadvantages however. While it is relatively easy to develop quantitative measures such as recruitment ratios and turnover rates, such measures tell us nothing about the effect upon the quality of the State's workforce. Moreover, recruitment and retention data can only point out a problem after it has begun to cause damage.

Another approach is to attempt to measure directly how the State's compensation levels stand in relation to those of competing employers. One way to do this is to pick specific jobs which are common to the State government and other employers and to compare State and external pay on a job-to-job basis. Another way, used by Hay Associates in their 1977 Analysis of Compensation Practices, is to develop a model for comparing the State's entire pay practice to the pay practices of competing employers. To do this, all State jobs, or a representative sample of State jobs, are evaluated, using a common set of factors. The factors used by Hay are know-how, problem solving, accountability, and working conditions. A pay line is then developed which shows the relationship between actual pay and the "weight" of the jobs, as measured by these factors (See Chart E). This pay line can then be compared to the pay lines of competing employers, developed in the same way, to obtain a comprehensive view of how State compensation stacks up against the competition for jobs of similar weight at all occupational levels.

This payline-to-payline method provides a more comprehensive picture than the simple job-to-job comparison method and takes better account of the fact of occupational mobility among related occupations. To illustrate, a job-to-job comparison may compare a State job to the same job classification in other State governments. The real competition, however, may not be from other State governments but from other nearby employers offering related, though not identical, work. By comparing all jobs of similar weight, the payline-to-payline method takes this into account. On the other hand, this method may also tend to obscure occupational distinctions which should be considered. For example, an employer normally cannot substitute a carpenter for an office secretary, nor is the carpenter normally in the market for a secretarial job. Yet, the payline-to-payline method makes no distinction in comparing the pay of 170-point carpenter jobs with that of 170-point secretarial jobs. Thus, the job-to-job comparison method and the payline-to-payline method as used by Hay have complementary advantages and disadvantages. The Commission reviewed available data from both methods to determine how State government compensation compared to that of other employers in 1977, 1979, and 1980, and to examine the trend in the State's competitive position.

Fringe Benefit Considerations

Benefits are also a part of an employee's compensation which should be examined when determining competitiveness. The Commission found that although a number of different techniques are commonly used to compare fringe benefits among employers, many are fraught with pitfalls.

For example, benefits are frequently expressed as a percentage of salary expenditures. If an employee earns $10,000 per year and receives fringe benefits costing $4,000, the benefits-to-salary ratio is said to be 40 per cent. When comparing fringe benefits of different employers, however, one must be wary of this percentage measure because a lower benefits-to-salary ratio may actually reflect a greater real value of benefits. Consider the following example:

	Benefits-to-Salary Ratio	Salary for Job XYZ	Value of Benefits	Total Compensation
Employer A	40%	$20,000	$8,000	$28,000
Employer B	35%	$24,000	$8,400	$32,400

Comparison of only benefits-to-salary ratios might lead one to conclude that Employer A is providing a higher level of benefits when, in fact, Employer B's benefit level is greater due to the higher salary level provided.

Another method of comparison is to compare the benefit packages of different employers on a descriptive, benefit-by-benefit basis. Such analysis may reveal, for example, that Employer A offers a dental plan as part of its group health insurance benefit, while Employer B offers eyeglass and prescription drug coverage, but no dental plan. Because different employees may place different values on various benefits, it is difficult to arrive at a single measure of what a benefit package is "worth" in the labor market, using this approach.

A third approach is to compare the dollar cost to the employer of fringe benefits. However, the amount spent by an employer is not necessarily a good measure of the competitive attractiveness of a benefit package. One reason for this is that employees may perceive different values in various benefits, as noted above. Another reason is that some employers are able to take advantage of a large workforce or more sophisticated purchasing techniques to provide a high level of real benefits at less cost than smaller or less sophisticated employers.

A number of techniques have been developed by benefit specialists in an effort to avoid the difficulties found in the above methods for comparing fringe benefits. These techniques generally involve developing a standard cost model which is used to evaluate what it should cost an efficient purchaser of benefits to duplicate the benefit packages of competing employers. These standard costs provide a common basis for comparing the value of the different benefit packages. This type of approach is used by the State of California, a number of private businesses and consultants, and is being considered for use in the Federal Government as part of the proposal to include benefits in the federal pay comparability process. The "Cash Equivalent Value" technique used by Hay Associates in their 1977 analysis of Maryland's compensation practices is also based on this approach. The results of that analysis are discussed in the next section.

Analysis of the State's Competitive Position and Trend

In 1977, the Maryland General Assembly contracted with the consulting firm of Hay Associates to conduct a comprehensive examination of the State's compensation policies, practices, and procedures. As part of that study, Hay Associates determined the extent of external competitiveness in the State's 1977 compensation practices, using a benchmark sample of 265 occupational classes consisting of over 14,000 employees. The Commission reviewed in detail the results of Hay's 1977 work and also considered updated data supplied by Hay and by the Department of Personnel in formulating its conclusions and recommendations concerning external competitiveness. The following is a brief analysis of the major findings considered.

1977 Position

Hay Associates found that the State's 1977 salary position for locally recruited jobs was slightly below the average of private sector employers in both the Baltimore and Washington metropolitan areas. While average private sector salaries were a bit higher in Washington than in Baltimore, the difference was 5 percent or less. State salaries were also below average compared to major local government employers in the area, and were significantly below salaries paid by the Prince George's and Montgomery County governments. State benefits were not compared to those offered by local private sector employers, but were found to be significantly below those provided by Baltimore and Prince George's Counties and about equal to those provided by Baltimore City.

The Hay Associates analysis observed that Maryland's salaries and benefits were very competitive in 1977 compared to other State governments. However, when compared to a regional sample of private sector employers, Maryland's salaries were competitive for lower level professional and administrative jobs, but not competitive at higher management and executive levels. Compared to Hay's national sample of industrial companies, Maryland's salaries and benefits were well below average at all professional and managerial levels, and less competitive at higher levels than at lower levels. When Hay Associates compared Maryland's salaries and benefits to their Financial and Service Company data bases, a similar pattern emerged. In these comparisons, Maryland enjoyed a strong competitive position at the lowest levels, but, again, was not competitive for higher level jobs.

Thus, in 1977, the State paid competitive salaries for some jobs, but not for others. Generally, State salaries were less competitive for higher level jobs than for lower level jobs, indicating a degree of compression in the State's pay plan. Comparisons of total compensation (pay and benefits) showed that the State's benefit package did not improve the State's competitive position.

1979-1980 Position

Updated information presented to the Commission by Hay Associates indicates that Maryland's competitive position relative to other state governments had fallen somewhat in 1979, although the State's salaries still appeared very competitive when compared only to those of other states. When compared to a national sample of 517 private sector employers, however, Maryland's 1979 competitive position appeared much less favorable. While Maryland paid about average for jobs rated by Hay at the 250 content point level, the State's salaries for jobs from 500-1500 Hay points were less than those paid by 75 percent of the private employers in the sample (See Chart F). To put this in perspective, our review of the Hay data indicates that the bulk of State jobs rated at or near 500 points by Hay are in State salary grades 14 and 15. Thus, in 1979, the State's competitive position was generally worse than it had been in 1977, and the effects of pay plan compression extended deep into the mid management and professional levels.

Job-to-job comparisons developed by the Department of Personnel indicate that in 1980 average private sector salaries were from 17.2 percent to 32.4 percent higher than State salaries for sampled professional occupations (See Table 4). For secretarial and office jobs, State salaries are generally much closer to the private sector averages. Comparisons of 1980 hourly rates for selected trades and labor occupations reveal wide disparities in the State's competitive position for these jobs. The hourly rate equivalent of State salaries for skilled maintenance trades is far below comparable private sector wages, while that for unskilled service workers is significantly above private sector rates, according to these comparisons.

In the area of benefits, relatively little data has been developed at this time to indicate how Maryland's competitive position may have changed since 1977. Some changes have been made in Maryland's benefit package, however. On the plus side, health-care benefits have been improved to include eyeglass and prescription drug plans and expanded Major Medical coverage. On the other hand, as of January 1, 1980, new employees are in a new retirement system which provides a smaller benefit than the old system at retirement and has limited cost of living indexing. (The old system's benefits are fully indexed to the Consumer Price Index.) The new plan is basically non-contributory, while the old plan required a 5 percent employee contribution. In addition to these changes in the composition of the benefit package, consideration must be given to the fact that the value of many items in the State's benefit package is tied directly to salary levels. For this reason, it is reasonable to expect that the decline in the State's competitive position for salaries may have adversely affected the competitiveness of the benefit package as well.

To summarize, the State provides competitive compensation for some jobs, but there are many jobs for which State compensation is not competitive. In general, State compensation tends to be less competitive for jobs requiring higher levels of skill or responsibility than for jobs at lower levels. Over time, the State's competitive position has been falling.

In order to understand how these trends have occurred, it is necessary to examine the State's approach to maintaining its pay plan.

Maryland's Salary Plan Maintenance Philosophy and Mechanisms

External competitiveness is a dynamic relationship, rather than a static condition. As other employers respond to changing economic conditions by adjusting their wage and salary structures, the State's competitive position changes.

The State's process for maintaining its pay plan operates within the philosophy of "affordability" and consists of two components, the general increase and the Annual Salary Review (ASR - see glossary). The general increase has been viewed as an administratively efficient way of handling annual pay plan maintenance for most of the State's occupational classes. This allows the Department of Personnel to devote its staff time to evaluating requests for exceptions through the ASR.

Although State revenues have tended to rise faster than the rise in salary rates of competing employers, the State has placed its priorities on things other than maintaining its pay plan, except at the lowest occupational levels (See Table 5). The State increased its total budget by 137.7 percent during the period 1972 - 1979. During that same period, average private sector pay for professional, administrative, and technical jobs increased by 61.7 percent, but the State increased salaries at the upper end of its pay structure (grade 18 and above) by only 26.1 percent. Note the relationship between the State's actions, as shown in Table 5, and the trend in the State's competitive position, as discussed in the previous section.

As the competitiveness of the State's pay structure has deteriorated, the number of exceptions handled through the ASR has increased:

	FY 77	FY 78	FY 79	FY 80	FY 81
Classes for which exceptions were requested by agencies	303	360	604	769	636
Classes for which exceptions were recommended by DOP	-0-	239	203	263	310

Each of the exceptions recommended by the DOP for inclusion in the ASR must be approved by the Governor and the General Assembly. Thus, as the volume of exceptions grows, it not only affects the workload of DOP staff but also places an increasing burden on elected officials to deal with individual cases.

In addition to the exceptions formally sanctioned through the ASR, the State's slipping competitive position has tended to increase the pressure for "back door" exceptions through manipulation of the job classification process. This will be discussed in more detail in the second chapter of this report.

This trend of a deteriorating pay structure, accompanied by increasing requests for exceptions, is likely to continue unless action is taken to change the philosophy and mechanisms which have fostered it. This would include adoption of a philosophy which recognizes the need to:

1. establish a salary policy regarding the State's position in the market; and

2. maintain the pay plan in accordance with that policy.

Under such a philosophy, the concept of affordability must be viewed in the broader perspective of budgetary priorities, and consideration must be given to the cumulative effects of annual pay decisions on the State's competitive position in the labor market.

In any given budget year, the need to maintain the competitiveness of the pay plan may appear to have a low priority in comparision to other program needs. Figures indicate that this has in fact been the case in Maryland (See Table 5). Over a number of years, however, the cumulative effect of not adequately maintaining the pay plan is to damage the State's capacity to attract and retain a qualified workforce. This in turn adversely affects the productivity and effectiveness of all State programs. In order to avoid this kind of false economy, the State must give a high priority to maintaining its pay plan in accordance with a predetermined salary policy when making budgetary decisions.

Conclusions

State pay levels are not competitive in some segments of the labor market in which the State competes. Moreover, the trend has been for the State to become progressively less competitive in the market as other employers have adjusted their wage and salary structures in response to changing economic conditions to a greater extent than has the State. In general, at higher levels of the occupational hierarchy State pay levels are farther below those of the market and are falling faster relative to the market than at lower occupational levels. These conditions obtain even when fringe benefits are considered as a part of total compensation.

Testimony from employee organizations indicated that a major concern of their members is salaries, which are viewed as non-competitive. State management in its testimony stated that non-competitive State salaries are affecting organizational effectiveness and causing hiring and retention difficulties. Both management and employee representatives are concerned with the State's inability to reflect the market place in its current salary policy.

The trend of a deteriorating competitive position for many State jobs is likely to continue unless action is taken to adopt a salary philosophy and a mechanism for annual salary determination which recognize the need to:

1. establish a stated salary policy as to what should be the State's position in the relevant market(s); and

2. maintain the pay plan in accordance with that policy.

The concept of the "affordability" of maintaining the pay plan as manifested in budgetary priorities must be viewed in the context of the cumulative effects of not maintaining the pay plan and the impact of these effects upon the achievement of other priorities. The taxpayer gets no bargain if the money saved by economizing on salaries has to be used to boost a declining productivity or an impaired program effectiveness caused by heavy personnel turnover, employee dissatisfaction, or an inexperienced and unqualified staff.

The State has attempted to use the Annual Salary Review to deal on an exception basis with those job classes in which the State's deteriorating competitive position is causing problems of recruitment and retention of personnel. And as the State's position in the market falls the number of situations which must be dealt with on an exception basis increases. In an effort to hold down the volume of ASR, criteria have been developed which to a large extent limit the use of the instrumentality to priority situations in which turnover and retention problems already are severe. Because the

ASR is tied to the annual budget cycle, selective adjustments take effect from 12 to 18 months after such problems are identified. In the view of the Commission, this use of the ASR to deal with job classes on an after-the-fact, selective basis is an ineffective approach to the problem of general pay comparability.

The difference between locally prevailing private sector wage rates in the Baltimore and Washington metropolitan areas does not at this time appear significant enough to warrant establishment of a geographic pay differential within the State's pay plan. The Commission has heard testimony on both sides of this issue. There is no question that local market pay rates in the Washington metropolitan area are higher than those in Baltimore for some job classes. For other job classes, however, the reverse situation is true. A fairly administered system of geographic pay differentials would therefore have to provide that employees in some classes would receive a differential for working in the Washington area, while employees in other classes would receive a differential for working in the Baltimore area. Equitable administration of such a plan would be complicated further by the geographic proximity of Baltimore and Washington and the perceived impact on employees of agencies located just beyond whatever limit would be established. Also, agencies in nonmetropolitan areas have pointed out that they face unique recruiting problems due to their geographic distance from major population centers and employment markets. They argue that they are already at a disadvantage in competing for talent since they must attract employees who are willing either to relocate or commute long distances, and that a geographic pay differential that favored the metropolitan areas would compound the problem. A majority* of the Commission is of the opinion that, because of the

---

* See Minority Statement, Appendix A.

complexity of administering geographic pay differentials, recommended adjustments made within the State salary structure should be given a trial and then evaluated before geographic pay is given further consideration.

Recommendations

1. The State should formalize a statement of intent for its compensation program. The statement should be embodied in the law to insure its continuing effect. Following is a recommended statement:

   Compensation provided by the State of Maryland for its State employees is intended to enable Maryland State government to recruit and retain a competent work force to provide the services required for Maryland citizens.

   This compensation should be provided equitably so that employees with comparable duties, responsibilities, and authority receive comparable salaries and benefits in accordance with the relative value of the service provided and the experience of the employee.

   State compensation levels should be competitive with compensation provided for similar work in private and public employment. The State should set its compensation level to permit recruitment and retention of employees who are able to provide the quantity and the quality of services determined to be appropriate by the Governor and the General Assembly.

   Maintenance of the State's compensation program to achieve these ends should be given priority consideration in the formulation and adoption of the State's annual budget.

2. The State should adopt an operating policy of maintaining its compensation range mid-points generally to approximate the median of prevailing compensation levels in public and private employment. State policy should identify this as a priority in annual budget formulation consistent with the statement of intent.

3. A consultant should be retained, under the guidance of the Commission on Compensation and Personnel Policies, to:
   a. conduct a compensation survey to determine by occupational category the degree of competitiveness of the State's compensation program,
   b. establish an implementation plan and possibly to assist in implementing that plan to achieve a level of competitiveness set under the operating policy, and
   c. develop an objective compensation survey instrument and procedure to be used by the State government in maintaining its compensation levels in accordance with its operating policies.

4. Geographic pay differentials should not be considered within the State service at this time.[1]

5. Article 64A, Section 27 (a) should be amended to clarify the circumstances under which the Board of Public Works may authorize interim amendments to the pay plan. The law should provide that the Board of Public Works, pursuant to the recommendation of the Secretary of Personnel, may authorize temporary rates of pay for job classes when

---

1 See Minority Statement, Appendix A.

exceptional job market conditions make this necessary to recruit or retain in the State service essential personnel, rather than "solely in cases of acute emergency", as is currently provided. Such actions should continue to be subject to review and approval by the General Assembly at its next session.

INTERNAL EQUITY

After considering the issues related to external pay comparability (as discussed in the previous chapter), the Commission next examined the extent to which the State's compensation program results in equitable internal pay relationships. The objective was to determine if the State's pay-setting process provides equal pay for equal work, and appropriately different levels of pay for different jobs commensurate with the relative value of the services provided.

Background Considerations

The Perception of Equity

A great deal of testimony and correspondence received by the Commission expressed concern about perceived inequities in the State's pay practices. Employee organization representatives, individual employees and management representatives of State agencies provided numerous examples of pay relationships which they viewed as being inequitable.

In evaluating the many points of view expressed in this testimony, the Commission became acutely aware of the fact that, beyond such basic principles as equal pay for clearly identical work, equity is very much a matter of individual perceptions. Nevertheless, an important goal of any good compensation program is to administer pay in a manner which to the greatest extent possible is perceived as equitable by those affected. At the very least, care must be taken to avoid unnecessarily generating perceptions of inequity in the operation of the compensation program.

The importance of employee perceptions regarding equity of pay has been investigated and documented by many researchers. It has been found that employees will adjust their performance according to their perceived view of fairness regarding the ratio of job rewards (including pay) to job demands (such as effort and level of responsibility). Thus, if an employee perceives his compensation as "low" compared to his job effort, he may reduce his effort to regain perceived equity.

In making these comparisons, employees use as reference points their perceptions of the job demands and job rewards of other workers. Research suggests that there are differences among employees in terms of the reference groups against which compensation comparisons typically are made. Employees in non-managerial, non-professional jobs generally tend to compare their earnings for work performed with similar positions close by within the organization. Professionals and managers are more likely to compare their earnings with like groups outside of their immediate organizations. Also, for managers pay comparisons with subordinates are important. Small pay differentials between a manager and his subordinates have been found to cause greater dissatisfaction than large differentials between a manager and his superior.

Comparisons generally are made with jobs perceived by the employees to have something in common with their own jobs. It is unlikely, for example, that an electrician would compare his earnings with a secretary or an executive unless there is a link to these jobs such as a common pay scale. Because of this tendency for people to be selective in choosing the reference groups against which they make their own personal evaluations of pay equity, many pay relationships between jobs and occupational groups are simply accepted. However, when a traditional pay relationship is altered by selectively adjusting the pay of one job or occupational group, attention may be focused on the previously overlooked relationship and perceptions of inequity may result. For this reason, a compensation system which is characterized by a high volume of selective adjustments and readjustments may generate a great deal of perceived inequity, regardless of the technical merits of the system or of the individual adjustments.

Thus, internal pay equity is an elusive goal and is affected greatly by people's perceptions. At the same time, these perceptions are known to exert a powerful influence upon employee morale and organizational performance, and therefore must be taken into account in evaluating or designing a compensation program.

Internal Equity and Job Evaluation

The crux of internal equity is the question of how much a job is worth to the organization, relative to other jobs. This is complicated by the fact that the value of a job to an organization depends on two factors, the design of the job and the performance of the person in the job. The design of a job establishes a range of potential contributions to the organization. This potential can only be realized, however, through the performance of a person.

A framework for recognizing the impact of the person in the job will be discussed in the next chapter. The present chapter will focus on the process of determining what a job itself is worth to the State when performed at a satisfactory level of competence. This process is often termed job evaluation.

What is a job worth relative to other jobs in an organization? Three types of information are required to provide an answer to that question. First, it must be determined what precisely it is that is being paid for: what job-related contributions (such as skills, effort, acceptance of responsibility, willingness to work under certain working conditions, etc.) are needed for the organization to do its job. These job-related contributions are known as compensable factors. Second, the relative weight or worth of each compensable factor must be determined. Third, jobs must be examined to determine the extent to which these compensable factors are present in each job when it is being performed at the proficient or competent level. These three steps are the basis of job evaluation, regardless of the specific technique used.

Job evaluation techniques fall generally into four basic categories:

1. Whole-Job Ranking - This process involves placing jobs in order (low to high) based on compensable factors or worth to the organization. This technique works well if only a few jobs are to be aligned.

2. Classification - Basically this process involves separating jobs which are considered to be similar enough to be treated alike into groups or classes. Next these classes are ordered and placed into an existing compensation structure based on compensable factors. The classification technique of job comparison works well in organizations which have many positions.

3. Factor Comparison - This technique is somewhat like the ranking method. Factor comparison first identifies and ranks important reference-point jobs. These key jobs, when analyzed according

to compensable factors, provide guidance for placing the remaining jobs into the internal structure.

4. Point Method - This form of comparison requires that various levels or degrees of the compensable factors be established. Point values are then assigned to these established factor levels and jobs are compared by totaling the point value of factors assigned to each job. The point total therefore determines the job's position within the organization's internal alignment.

Other job comparison techniques exist, including combinations of the above. It is important to note, however, that all methods of job comparison contain a great deal of subjectivity. Moreover, research indicates that the more sophisticated methods do not necessarily produce better results than the simpler methods.

There seems to be agreement among most researchers and practitioners that the key to the success of any job evaluation technique is how well it fits the jobs and organizations for which it is used. Thus, "tailor-made" plans have a better overall success record than plans which purport to be universally applicable. One reason for this is that each organization must decide for itself what the important compensable factors are and how much weight should be accorded to each, in light of the organization's functions and goals.

For example, in their 1977 Analysis of Compensation Practices, Hay Associates evaluated a sample of the State's jobs using their Guide Chart-Profile Method of job evaluation, which combines elements of the point and factor comparison techniques. The interpretation of the results of this analysis depends entirely on how well the factors and weights used by Hay measure those contributions which are viewed by State management and employees as making State jobs more or less valuable. If the factors and weights used by Hay measure accurately the compensable factors of the State jobs evaluated, a great deal of inequity exists in the State's pay practices. If they do not, then all that the analysis tells us is that the State's pay practices are inconsistent with the value judgements of Hay Associates.

A related issue is whether a single set of compensable factors and job evaluation techniques is appropriate for all jobs in the organization. This somewhat technical sounding issue has the potential to become a matter of general concern to employers, since the federal Equal Employment Opportunity Commission (EEOC) is currently considering draft guidelines which if adopted would mandate the use of a single job evaluation system for all employees of a public or private sector employer. In addition, the draft guidelines would mandate that job evaluation systems meet stringent standards of validation that are considered by many practitioners to be beyond the practical state of the art.

Current practice in many large organizations is to employ a separate job evaluation process for each broad functional group in the organization. Examples of broad functional groups are clerical, blue collar, professional, and executive personnel. Usually different job related compensable factors are used in the job evaluation process for each group. This allows jobs within groups to be compared with one another, using only factors relevant to that group. Not only is it easier for an organization to make accurate comparisons among jobs which have much in common; this method corresponds to the previously noted tendency of individuals to compare their positions with those close by.

The use of a uniform job evaluation system throughout an organization theoretically would make it easier to identify instances of discriminatory pay practices by providing a single standard of job "worth" that would apply across occupational groups. In this way, for example, the pay of diverse jobs could be compared to a common yardstick to determine if the jobs traditionally held by women are being paid less, relative to their measured "worth", than those traditionally held by men.

Whether or not the draft guidelines are adopted by EEOC, they raise important social issues. Moreover, the Commission believes that the State as an employer should be a leader in efforts to eliminate all types of discrimination due to race, sex, and other factors not related to job performance. Consideration must also be given, however, to the practical question of whether a job evaluation system can be designed realistically to be both universally applicable and specifically relevant to all of the diverse types of jobs existing in a large and complex organization such as State government.

The Relationship of Internal Equity to External Competitiveness

Another very practical consideration is the relationship between the internal worth of a job, as determined by equity and job evaluation concepts, and the external market realities. There will always be some conflicts between the two. Different employers place different relative values on the same job. For example, the job of electronics technician is worth more to a company whose marketing strategy for selling sophisticated hardware is based on its reputation for providing reliable service than the same job is worth to an organization where servicing electronic equipment is incidental to its main function.

The problem of reconciling internal equity with external competitiveness is aggravated when an employer's general pay level is low or falling relative to the market. Such employers find themselves on the horns of a dilemma: if compensation for a job is based on internal equity but significantly lags behind the external market, turnover may increase, dissatisfaction grow, and recruitment efforts suffer; if selective adjustments are made to cope with external market pricing without proper regard for internal equity, equally undesirable results may occur. One pay differential study showed that workers paid 10 percent less than the perceived equitable level showed an active sense of grievance, a desire to complain, and if no redress is given, an active desire to take action.[1] As mentioned previously, a high volume of selective adjustments in and of itself tends to generate perceptions of inequity by disrupting traditional perceived equity relationships and by calling attention to previously ignored salary relationships.

Thus, internal equity cannot be considered in a vacuum. The demands of internal equity must always be balanced against the demands of the external marketplace. At the same time, a rational approach to maintaining external competitiveness can facilitate greatly the process of maintaining equitable internal alignments.

Maryland's Approach to Internal Equity

Overview of the Processes Involved

Maryland's current approach to establishing and maintaining an equitable internal alignment of its pay plan is a modification of the classification approach. In order to understand fully the relationships among the various

---

[1] Elliott Jaques, Equitable Payment, (New York: Wiley), 1961, p 26.

processes involved, it is helpful to visualize the connection between a State job and its assigned salary (or range) as a chain consisting of three links:

Link 1 - Individual positions are assigned to classes based on the duties and responsibilities assigned to the position by management.

Link 2 - Classes are assigned to salary grades (or flat rate scales).

Link 3 - Salary grades (and flat rate scales) are given actual dollar values.

The Department of Personnel (DOP) has authority for final approval of the first link, position classification. Section 16 of the Merit System Law provides that:

"(a) Subject to the approval of the Governor, the Secretary of Personnel shall establish classes and classify therein all positions in the classified service, and shall, from time to time, thereafter as may be necessary, establish additional classes and classify therein new positions created, and may combine, alter or abolish existing classes. Each class shall embrace all positions similar in respect to the duties and responsibilities appertaining thereto and the qualifications required for the fulfillment thereof and shall be given a classification title indicative of the character and rank of the employment. The classification title prescribed shall be observed in all records and communications of the Secretary, Comptroller and Treasurer. Employees shall assume the classification titles of their respective positions. Any change in the duties of a position, if material, shall operate to abolish it and create a new position which shall be classified under this section.

"(b) In order to insure that positions in the Maryland State service are properly classified, the Secretary shall periodically audit a random sample of all positions under his salary jurisdiction. The Secretary may order a State department or agency to take appropriate action to bring any position determined to be inappropriately classified into compliance with the audit and findings of the Secretary. A filled position which is declared to be underclassified shall be reclassified immediately or not later than the beginning of the next fiscal year following the determination. A filled position which is declared to be overclassified shall be reclassified at the end of the second fiscal year after which the determination is made, and any incumbent shall be reduced in rank appropriately. Any employee holding a position which is declared to be overclassified shall be given the right to grieve under the Department's administrative appeal proceedings."

The purpose of position classification is to group together positions which are judged to be alike enough in content and level to be treated alike for purposes of title, qualifications, merit system examinations, and pay.

DOP is responsible for establishing standards for assigning positions to classes and for classifying positions according to those standards. When assigned duties and responsibilities are changed by management, the DOP responsibility includes updating standards and reclassifying positions to ensure that titles, qualifications, examinations, and pay are based upon actual current work requirements. DOP is also responsible for conducting periodic audits to ensure that positions are properly classified.

Authority for final approval of the second link, class grading, rests with the General Assembly. When the need for a new class is identified, DOP recommends a salary grade after judging the relationship of the proposed class to existing classes and determining the salary level needed for recruitment and retention purposes. The new class normally is created through the Annual Salary Review (ASR) process, which requires the approval of the Governor and the General Assembly. Once established, the salary grade for a class remains the same unless changed by subsequent ASR action. (In cases of acute emergency, the Board of Public Works may temporarily approve these actions, subject to legislative confirmation).

The third link, putting actual dollar values on each grade, is also recommended by the Secretary of Personnel, subject to the approval of the Governor and the General Assembly through the annual budget process. This is generally accomplished by applying a percentage or flat dollar increase to the current salary range for the grade, as part of what has been termed a general comparability adjustment.

Thus, the salary range for a position in State government can be changed by means of three processes:

1. The individual position may be reclassified into a class with a different salary grade.

2. A class of positions may be regraded through the ASR.

3. A salary grade may be assigned new dollar values as part of a general comparability adjustment.

The first of these processes is controlled by DOP, the second and third by the General Assembly.

The impact of each of these processes on the State's internal equity will now be examined in more detail.

Position Classification

The position classification process is the core of the State's system of personnel administration. In addition to being the most flexible of the three major links which connect positions to salaries, the grouping of positions into classes is central to the way the State recruits, hires, and manages its human resources. For example, DOP's recruitment and examination activities culminate in producing lists of people who are certified as eligible for classes of positions. Vacant merit system positions must be filled by selecting from among the top five interested eligible persons on these lists. Thus, the probability of being able to recruit and hire individuals capable of meeting the requirements of particular positions depends heavily on how well classes reflect the actual work and requirements of their member positions. Also, since the manpower requirements for each program in the State budget are planned and controlled at the class level, the integrity of the position classification process can affect the management of how manpower resources are allocated.

The process of assigning each position to the proper class, based on comparison between the duties and responsibilities of the position and established classification standards, is the responsibility of DOP. By means of Personnel Policy No. 8, DOP has delegated authority to the operating agencies to carry out this process for 65 percent of the State's classes, comprising 90 percent of the positions for which DOP has classification responsibility.

Classification standards developed by DOP serve as the basis for assigning a position to a class. These standards are expressed in the "Nature of Work" section of the official specifications for each class. In some cases, these published standards are supplemented by additional classification tools developed by DOP. Such tools may include point systems and other job evaluation techniques. To illustrate, a classification standard, as expressed in the class specification, may define the level of work of a class as follows:

> "... supervises a small clerical group performing work of moderate complexity ... "

In order to promote consistent application of this standard and to facilitate the classification process, DOP might develop supplemental standards which define the words "small" and "moderate complexity", perhaps in terms of some quantitative measures.

Agency managers, employees, and personnel staff have expressed concern that many classification standards are vague and are applied inconsistently from agency to agency. The classification standards developed by DOP have not been incorporated into a classification manual to guide agency classification decisions. Moreover, DOP has expressed concern that many agency personnel specialists have not had sufficient training in the proper application of standards.

DOP does not routinely review and update standards and specifications on a cyclic maintenance schedule basis. Rather, most maintenance activity is initiated in response to requests from agencies. Such requests usually stem from salary administration problems, according to DOP staff. Clearly, a change in a classification standard (or in the way it is interpreted) can be tantamount to a salary adjustment for the affected positions, since it can set the stage for their reclassification. Use of the classification system in this way has sometimes been viewed as an expedient way to avoid the delays and/or political difficulties which may be associated with getting adjustments approved through the ASR.

The position description is the basic information source document in the classification process. An individual position description is compared to existing class specifications to determine the proper class for the position. Moreover, the class specifications themselves are established (and must be maintained) on the information in position descriptions. The integrity of the whole classification system ultimately depends upon the accuracy of this source document.

It is not common practice among State agencies to keep a complete file of position descriptions currently maintained for all positions. Position descriptions generally are prepared only when a new position is established, or when a change in a position's classification is desired. Position descriptions are prepared by the incumbent, or by the position's supervisor in the case of a vacancy. Review by the next organizational level is the basic management control to insure accuracy. Desk and field audits by agency personnel staff and DOP staff provide additional levels of control, but the high volume of reclassification transactions (to be discussed below) precludes extensive use of this control technique, given current personnel staff resources, especially at the DOP level.

The testimony of management officials of several State departments and agencies has made the Commission aware that the rather dubious practice of distorting position descriptions to justify assigning positions to higher graded classes is viewed as an unfortunate but necessary expedient to solving recruitment and retention problems.

Additionally, it is possible in many cases to reclassify a position without the documention of a position description. DOP does not require a position description when positions are reclassified between classes listed on Personnel Policy No. 8. Although Personnel Policy No. 8 does require agencies to maintain their own cumulative records of changes in the duty assignments of each position, DOP has not established an effective audit program to monitor agency compliance with this provision.

In fact DOP's post audit program to insure agency accountability for properly carrying out the intent of the authority delegated under Personnel Policy No. 8 is so limited as to be of doubtful value. Only 137 positions have been audited at random in the program's two-year history -- 64 in FY 1979 and 73 in FY 1980.

There is some evidence that the classification process is being abused. For example, during the period from March, 1979, through March, 1980, the Department of Budget and Fiscal Planning, in the course of routine position control bookkeeping, identified and called to DOP's attention 73 instances in which Personnel Policy No. 8 was used improperly to "reclassify" positions:

- into totally different functional areas

  Examples:
  Dietary Aide I to Typist Clerk III
  Direct Care Aide IV to Laboratory Assistant III

- from worker to supervisor

  Examples:
  Dietary Worker I to Food Services Manager I
  LPN III to Nursing Services Supervisor

- between general and specialized classes (both directions) apparently for salary advantage

  Examples:
  Accountant-Auditor I (Grade 10) to Administrative Specialist (Grade 12)
  Administrative Officer III (Grade 17) to Human Services Administrator I (Grade 18)

These known examples are relatively few in number. However, when considered along with the lack of effective controls documented above and the expressed views of agency managers that the system must be manipulated in the interest of operational expediency, they point out the need for more effective measures to ensure the system's integrity. The system's controls at this time do not permit DOP to monitor effectively the way the authority it has delegated is being administered, nor do they permit any definitive assessment of the extent of possible misuse.

A related concern is that the structure of classifications is often so finely drawn that a very small change in the duties of a position can generate a legitimate request for reclassification. Class boundaries are often overlapping or ill-defined.

DOP records in 1978 reflected 55,320 positions grouped into 3,056 classes as follows:

	Classes	Positions
Classes of 150 to 1990 positions each	65	25,463
Classes of 2 to 149 positions each	1,837	28,703
Classes consisting of single positions	1,154	1,154
	3,056	55,320

Some "classes" are homogeneous groups of positions, all performing essentially the same "job". Others, however, consist of a mix of positions performing "jobs" which are different, but which have been determined to be of equivalent value to the organization and to have similar requirements. For example, a general "class", such as Operations Specialist III, includes positions which perform a variety of "jobs" -- some in fleet management, some in personnel administration, some in other functional areas. The choice of a general class or a more specific class is, for many positions, a matter of administrative convenience, often influenced by such considerations as the desire to select a particular individual from an eligible list or the desire to pay an individual a certain salary.

It is also common in State government to find several positions, all belonging to different "classes", performing what is essentially the same "job". For example, journeyman-level management analyst positions in one State department are classified variously as "Management Specialist III", "Management Specialist IV", "Performance Auditor I", "Performance Auditor II", and "Management Analyst II, Budget Planning". Although these positions perform the same function at the same level, salary grades for the classes range from grade 15 to grade 20. In cases such as this, the classification structure simply does not reflect actual distinctions in the type and level of work. No amount of effort to clarify the standards for the existing classes will resolve this basic structural problem. What is needed is a restructuring of the classes themselves, based on thorough study of the jobs. This is a staff-intensive activity which DOP views as being beyond the capacity of its current staff resources to perform.

Personnel Policy No. 7 permits a position to be described by a series of "interchangeable" classes which differ only in salary grade and experience requirements. This policy has institutionalized the use of multiple classification levels that have little or no basis in terms of actual job content distinctions for many low to mid-level positions. According to Department of Personnel records, approximately 27 percent of the State's classes, comprising 58 percent of the positions within the department's classification authority, were included in interchangeable groupings in 1979. Reclassifications under Policy No. 7 are virtually automatic, based on employee attainment of experience requirements. Substantial justification is required of agency management to deny such a reclassification. Thus, the classification system has been used to provide extended, seniority-based salary ranges for a large number of low to mid-level positions.

Given the above characteristics of the State's classification process and structure, it is not surprising that there is a great deal of movement of positions among classes. In calendar year 1978, a total of 9,212 positions were reclassified to <u>higher</u> classes, according to DOP. This is equivalent to 17.6 percent of all 52,314 filled positions on DOP's master file. The majority (60%) of the upward reclassifications were the virtually automatic "interchangeable" reclassifications, under Personnel Policy No. 7. An additional 2,492 upward reclassifications occurred without DOP review under Personnel Policy No. 8. The remaining 1,204 upward reclassifications were reviewed and approved by DOP. An additional undetermined number of vacant positions were reclassified downward prior to filling, but DOP's data system is not set up to count these transactions.

The sheer volume of classification activity creates a number of problems. It generates a relatively high level of disruption of equity in perception among State employees. It increases the possibility of classification errors. It also requires that a great deal of DOP and agency personnel staff time be devoted to processing reclassifications, as opposed to performing ongoing cyclical maintenance to keep classification standards accurate and current, or other problem-solving and problem-preventing activities.

The combined effect of the poor controls over the classification process, ambiguities in the classification structure, legitimization of the use of reclassifications to grant seniority-based salary increases under Personnel Policy No. 7, and the high volume of reclassification activity is to create a wide gap between the official pronouncements concerning the purpose and operation of the classification system and actual practice.

The official teaching, as derived from Section 16 of the Merit System Law and DOP regulations, has been aptly summarized in one State department's Employee's Guide as follows:

> "Each position in State Government is given a job classification based on assigned responsibilities and duties performed. Each position is carefully studied and those with similar duties and responsibilities are given the same job classification and rate of pay within the same salary range. Qualifications and requirements are established for each job classification, and their standards are the same throughout the State.
>
> "It is the responsibility of each State Agency and the State Department of Personnel to make certain that each employee's job classification is correct. At times this requires that jobs be restudied, redefined, or adjusted to fit changing conditions or requirements."

What State employees and managers learn through their actual experience with the system is often quite different, however. They learn that reclassification is a means to the end of getting selective salary adjustments for people and that it often has little to do with any change in assigned responsibilities or duties performed. They learn that positions with similar duties and responsibilities are given different job classifications and rates of pay within different salary ranges, and that standards are often vague, overlapping, and inconsistently applied throughout the State. They learn that there is very little monitoring going on to prevent abuse. Some learn to expect frequent salary advancement through reclassifications based primarily upon putting in time on the same job. Others learn that, although they see people all around them getting more money through reclassification, they themselves, or those whom they supervise, are blocked from this avenue of advancement. When they press to find out why this is so, they are given explanations based upon the official version of how the classification system works. Such explanations fly in the face of their own experience and observations, teaching the most pernicious lesson of all — that the system lacks credibility.

Class Grading

The assignment of classes to salary grades is the second major link in the chain which connects State positions to salaries.

DOP reviews and recommends grades for new classes and changes in class grading on an exception basis in response to requests from operating departments, or when Statewide comparability and equity problems surface in the form of recruitment and retention difficulties in a class. The General Assembly exercises final control over class grading through its approval authority over both the Annual Salary Review (ASR) and Emergency Salary Actions taken by the Board of Public Works. The tendency for the volume of ASR requests to increase as the State's overall competitive position in the market has fallen has been noted previously in the discussion of External Competitiveness.

One result of this crisis management approach to class grading has been a great deal of jockeying within the structure. DOP estimates that since 1972 ASR actions have resulted in pay grade increases for approximately 25,000 to 30,000 employees. As traditional perceived equity relationships are disrupted, pressure may be generated for additional selective adjustments in future years.

This activity has also contributed to a general upward movement of positions within the salary structure. Since the present grade structure was adopted in 1972, the average grade of positions in the standard salary grades has increased more than 1½ grades:

	1972	1975	1979
Average Grade Level	8.14	8.54	9.67

The nature of the impact of selective adjustments on the State's pay structure can be illustrated by examining what has happened to 66 classes which were used as benchmarks by the Alban Commission in formulating recommendations for the last major pay plan revision, which took effect in 1972. Of the 66 classes, only 26 are still in the salary grades for which they were selected as benchmarks in 1972. The majority of the 1972 benchmark classes have had their assigned grade increased by one or more grades since that time:

No Change in Grade	26 Classes
Increase:	
+1 grade	16 Classes
+2 grades	15 Classes
+3 grades	6 Classes
Comparison not Available	3 Classes
	66 Classes

This movement has been particularly pronounced at the lower grade levels. Only 5 of the 32 classes which were benchmarks for grades 1 through 9 in 1972 are still in their original grades today. In contrast, 21 of the 34 benchmark classes for grades 10 through 23 are still assigned to the grades they were chosen to represent in 1972:

	Classes Originally in Grades 1-9	Classes Originally in Grades 10-23
No Change in Grade	5 Classes	21 Classes
Increase:		
+1 grade	10 Classes	6 Classes
+2 grades	11 Classes	4 Classes
+3 grades	5 Classes	1 Class
Comparison Not Available	1 Class	2 Classes
	32 Classes	34 Classes

Thus, the overall impact of selective adjustments has tended to compress the arrangement of jobs within the structure from the bottom up, diminishing the pay differences between jobs at the lowest levels of responsibility and those at higher levels. Had this compression not occurred, the average upward movement of positions within the structure would have been greater than 1½ grades. For example, grades 1 and 2 were completely eliminated during the period under consideration. This alone would have raised the average grade level by 2 full grades if pay differences had not been compressed.

This compression of pay differences among jobs within the structure is in addition to the compression of the pay differences between the grades themselves, which will be discussed in the next section.

Grade Pricing

The third major link in the chain which connects State positions to salaries is the assignment of specific dollar values to salary grades, as expressed in the Standard Salary Schedule. The current schedule is a modification of the structure recommended in 1970 by the Governor's Commission to Study Wages and Benefits of State Employees (Alban Commission). That schedule, which took effect in January, 1972, consisted of 23 grades with an 8 percent difference between each grade. Since 1972, the General Assembly has authorized the following adjustments to the schedule:

Effective Date	Action
7-1-73	No increase.
7-1-74	Grade 1 eliminated. Graduated increases ranging from 12.3% (grade 2) to 6.8% (grades 10 and above), with $550 minimum increase.
7-1-75	Graduated increases ranging from 8.78% (grade 2) to 3% (grades 18 and above), with $500 minimum increase.
7-1-76	No increase.
7-1-77	Graduated increases ranging from 6% (grade 2) to 5% (grades 12 and above) with $400 minimum increase.
7-1-78	Grade 2 eliminated. 3% increase with $300 minimum.
7-1-79	6% increase with $500 minimum.
7-1-80	7% increase.

With the exception of the latest schedule adjustment in 1980, each adjustment has increased the salaries for the lower grades by a greater percentage than those for the higher grades.

As a result of these actions, the current schedule has been compressed into 21 grades, with a greatly reduced difference between the highest and lowest salaries. In 1972, the highest salary on the schedule was 7.15 times the lowest salary. On the current schedule, the highest salary is only

5.29 times the lowest salary. A grade 10 supervisor, whose salary in 1972 was twice that of the lowest graded worker, finds that this difference has been cut almost in half in 1980.

The following table summarizes the cumulative impact of the adjustments at various levels.

Grade	Salary Paid 7-1-72	Salary Paid 7-1-80	Cumulative Increase	Value of 1980 Salary In 1972 Dollars	Loss in Purchasing Power
Minimum Entry	$ 4,200	$ 7,654	82.2%	$ 3,830	8.8%
6 (Step 6)	8,112	11,656	43.7%	5,832	28.1%
18 (Step 6)	20,433	27,574	34.9%	13,799	32.5%

The above analysis does not take into account the effects of the progressive Federal income tax structure, which narrows even further the differences in take home pay for employees at different levels.

Thus, the practice of adjusting the salaries assigned to the lower grades by a greater percentage than that applied to higher grades, combined with the elimination of the bottom two grades, has significantly altered the equity relationships between State jobs at different levels of responsibility. It is simply worth less to an employee to take on additional responsibilities in 1980 than it was to take on the same additional responsibilities in 1972. During a period when the complexity of operating and administering many State programs has been expanded, the State has reduced its capability to reflect meaningful distinctions in level and complexity of work in its salary schedule.

Conclusions

One of the primary goals of any effective compensation program is internal equity. This means providing equal pay for jobs of equal value, and appropriately different levels of pay for different jobs commensurate with the relative value of the services provided. This is a difficult goal because it is affected so much by individual perceptions, yet it is important because perceptions of equity have an impact on employee performance as well as employee satisfaction.

The Commission is concerned that several aspects of the State's pay-setting mechanisms operate in ways which detract from, rather than contribute to, the achievement of internal equity in the State's pay plan:

- Annual adjustments to the salary schedule have significantly compressed the differences between salary grades. This has diminished the schedule's capacity to provide meaningful pay distinctions between jobs at different levels of responsibility and complexity.
- The State reviews and changes the assignment of job classes to salary grades on an exception basis in response to Annual Salary Review requests from operating departments, or when Statewide recruitment and retention difficulties become serious for particular classes. This process assures that the Department of Personnel addresses only selective crises, while maintenance of the overall system remains relatively unresponsive to market and equity realities. The volume of selective adjustments generates a relatively high level of disruption in equity in perception among State employees. Moreover, a tendency to approve more selective grade increases to classes in the lower grades than to classes in the higher grades has further compressed the pay differences between different levels of work.

- The process of assigning and reassigning positions among classes (position classification) is used extensively in Maryland State government as a means to effect salary adjustments which would more appropriately be handled through salary administration mechanisms. This impairs the integrity of the classification system and interferes with its proper function, which should be to group positions into classes so that job evaluation, recruitment, examination, and personnel budgeting may be carried out as economically as possible, at the same time ensuring that positions in a class are sufficiently alike and accurately described so that these essential activities may be carried out fairly and effectively.
- Through Personnel Policy No. 8, the Department of Personnel has delegated to operating departments the authority to take classification actions without establishing a framework of clear standards and adequate controls to ensure accountability for consistent and proper administration of the classification system. As administered now, this policy allows abuse and inequities to exist within the State's classification system.
- The interchangeable classification system established under Personnel Policy No. 7 is a seniority-based pay system operating under the guise of the position classification process. It provides an officially sanctioned model for the inappropriate use of the reclassification mechanism as a means to adjust salaries without regard to whether or not any actual change has occurred in a position's duties and responsibilities, and thus it detracts from the credibility of the position classification process.

The Commission believes that adoption of its recommendations concerning external competitiveness in the preceding chapter should correct some of the adverse tendencies noted above, since many of the internal equity problems stem from attempts to utilize the system to cope with external comparability problems. However, because the system is in such disarray, additional action is necessary as outlined below.

Recommendations

1. The State should group classes which are comparable in terms of required skills, knowledges, responsibility, effort, and working conditions into clusters and use an appropriate job evaluation methodology to maintain pay equity within each cluster. Key jobs (benchmarks) should be selected from each cluster for use in a general pay comparability survey to maintain external competitiveness of pay for each cluster. Identification of job clusters and key jobs should be done by the Department of Personnel and the consultant employed to assess the overall competitive position of State salary levels.

2. The Department of Personnel should develop a plan to review systematically and revise the State's classification structure to increase its stability. Classes should be consolidated as necessary, and classification standards should be clarified to prevent minor changes in duties from requiring a legitimate reclassification study. The Department should be provided with resources to implement the plan in a reasonable and timely fashion.

3. The interchangeable classification concept should be eliminated, and Personnel Policy No. 7 rescinded, after classes currently covered by this policy are restructured as part of the systematic revision of the classification structure recommended above. The Commission believes that adoption of the recommendations contained in Chapters 1, 2, and 3 of this report will eliminate the need for interchangeable classifications.

4. The State's control of the position classification process should be strengthened to minimize misuse, particularly misuse of delegated classification authority.

   The Department of Personnel should:

   A. Increase job analysis and job evaluation training for agency personnel responsible for position classification or job evaluation.

   B. Implement a reporting mechanism so that all classification actions processed under delegated authority may be reviewed periodically.

   C. Increase the number and scope of post audits in order to examine the systems by which delegated classification authority is exercised as well as to verify the proper classification of individual positions in accordance with DOP classification standards.

   D. Together with the Department of Budget and Fiscal Planning, develop a system to ensure accountability of department and agency heads for managing personnel resources in accordance with authorized positions, approved classification allocations, and standards. The system should provide for reporting of position mismanagement and misuse of the classification process to the head of the department or agency involved and require mandatory adjustments and notification to DOP of corrective action taken, including disciplinary action against individuals who authorize improper actions.

PERFORMANCE EVALUATION AND MERIT PAY

In his charge to the Commission, the Governor directed an examination of the extent to which the State's compensation and personnel policies promote efficiency and productivity. The Governor also charged the Commission specifically to study the feasibility of establishing and administering a salary system with pay tied to performance criteria.

Across the country, public demand for increased government productivity has led governments at all levels to reexamine their approaches to personnel management. As part of this trend, many state and local governments have established or are developing pay administration systems designed to encourage productivity by linking individual salary adjustments to evaluated employee performance. The Commission has examined the features of a number of these systems. The Commission also was briefed on the new federal Civil Service Reform Act of 1978 which requires federal agencies to develop performance based merit pay systems for mid- and upper-level managers, and job-related performance appraisal systems for virtually all federal employees.

Underlying this national trend is a growing awareness that the traditional merit system model does little to recognize or encourage meritorious performance. Developed in another era, as a reaction to the excesses of the political spoils system, traditional merit systems emphasize rigid central controls designed to enforce uniformity and limit managerial discretion in an attempt to prevent political abuses. Although the original intent of such systems was to promote more efficient government, they have more often in practice institutionalized inefficiency by fostering an environment in which managers have few tools with which to manage and little accountability for doing so, and in which employees have little reason to expect that their individual efforts will be rewarded.

The recent interest in governmental productivity brings with it a recognition that changing the environment described above is the key to improvement, since government services are so labor intensive. Alan K. Campbell, Director of the U. S. Office of Personnel Management, put it this way:

> " ... unless we can through personnel management bring about those changes in practices and attitudes that relate to performance, there will be no great improvement in productivity. The opportunities for increase through capital investment and technology, although there, cannot in the service sector--at least in the foreseeable future--equal those that occur in the goods producing sector. Therefore, we in the public sector must, just as in the service part of the private sector, turn to personnel management as the field in which those kinds of accomplishments can be made."

Here in Maryland, Governor Hughes astutely analyzed the situation as follows:

> "There is much talent and skill among the 75,000 state employees, as well as dedication. But the bureaucratic system stifles that talent and skill by creating mountains of red tape and or reluctance to do anything differently. In order to change this philosophy that 'above everything else the system must be protected', attitudes must be changed, particularly in the control agencies. Those in responsible positions must be given the authority to do their job and encouraged to use imagination, innovation and new ways of doing things. ...
>
> "Commensurate with reducing red tape and delegating authority to get the job done, there must be accountability. Authority to do the job and being held accountable for doing it properly are essential ingredients for efficiency, in government as well as business. These factors were implicit in the recommendations for reorganization of the executive branch but have been missing. The Governor can and must insist upon this. The Governor must spend whatever time is required doing what a Governor is primarily elected to do -- manage the executive branch and make it as efficient as possible.
>
> "If a Governor would do this--change the bureaucratic attitude that builds red tape and resists change, insist that those who have the responsibility for providing services be given the authority to

perform and demand accountability--I am convinced it would be welcomed by thousands of state employees, the State's work force would become more efficient and responsive to the citizens' needs and improve the image of state government and the state employee."

Conventional wisdom holds that employees will resist any attempt to evaluate their performance or to tie their pay to performance ratings. A number of studies indicate that this often may not be the case. In a survey of General Motors employees, 70 percent gave responses favorable to the performance evaluation programs. In the State of Washington, about 75 percent of state employees indicated that they believed a good performance appraisal system could improve individual performance, agency effectiveness, and employee morale.

Evaluation findings from a performance appraisal system in the State of South Dakota showed that 82 percent of the state's employees considered the system fair, even though only 20 percent received merit increases.

Dr. Edward E. Lawler of the University of Michigan's Institute for Social Research points out that the best employees actually demand to be evaluated on and paid for their performance:

> "[a] considerable amount of research shows that outstanding performers -- people who are highly motivated -- prefer to work in and remain in situations where pay and performance are related. Otherwise, they are turned off, and you cannot expect to attract and retain them."

The Commission believes that the majority of hard working, competent, and dedicated Maryland State employees would welcome fair and objective performance appraisals and an opportunity to be rewarded for their individual efforts.

It is clear from the testimony of State employees, employee organization representatives, and management officials that the State's current compensation and personnel policies do little to encourage efficiency or productivity, and are viewed by many as impediments to these goals.

Most employees are compensated on the Standard Salary Schedule, which by statute provides for virtually automatic annual pay increments from minimum to maximum of scale. These increments may be denied only in instances of unsatisfactory performance. Such denial is grievable, and in practice is seldom exercised. In FY 1978, of nearly 25,000 employees potentially eligible for increments, only 105 were denied an increment. An outstanding performer advances through the salary range at the same rate as employees whose performance is marginal. Mid- and upper-level management employees who are paid flat rate salaries can not receive even these pay increases.

Thus, the present system provides managers and supervisors with little or no flexibility to reward superior performance or to provide incentives which would encourage performance improvement. Equally important, the system places few requirements on managers and supervisors to define performance goals and standards, communicate clearly to employees what is expected, and give employees timely and specific feedback concerning their performance and how it might be improved. The Commission feels strongly that these two aspects of this problem must be addressed together. More flexible management tools, such as merit pay, are desirable and must be developed concomitantly with the development of a framework of accountability which will ensure that managers use these tools responsibly, fairly, and effectively. There is no quick and easy way to accomplish this. Simply changing the laws, rules, and regulations which govern how salary increments are granted, or having the Department of Personnel develop new forms and procedures, will not achieve the desired result. The key to this type of change is in its implementation, and implementation will require fundamentally different ways of conducting business on a day-to-day basis. Literally thousands of managers and supervisors must learn new skills and attitudes. Moreover, the change must be accomplished in a way which earns the confidence and support of State employees and their representatives. All of this will require an organized effort, a high level of commitment and leadership on the part of the Governor, and a vast amount of time, hard work, and sensitivity on the part of all concerned. The Commission is convinced that the challenge can be met and that the payoff -- a more efficient and responsive State work force and a great improvement in both the public image and the self-esteem of State employees -- will be worth the effort.

Recommendation

The State should begin a concerted long term effort to improve the management of its work force by building into its ongoing management processes a policy of performance accountability and incentives. Under such a policy, each manager and supervisor would ultimately be held accountable for the following:

- Developing personal skill in the use of techniques for setting goals and standards, communicating with employees, and conducting performance appraisals, through both participation in formal training programs and practice on the job;
- Providing each employee with a clear explanation of what is expected;

- Developing, with the active participation of employees, job-related standards of quality and quantity which are realistic, attainable, and integrated with organizational objectives;
- Reviewing with each employee his or her performance on a timely basis;
- Giving each employee specific feedback, coaching, and time to improve performance;
- Providing recognition and rewards for performance, including merit pay increases;
- Helping employees with planned career development, including changes in assignment or transfers when appropriate;
- Terminating employees whose performance remains unsatisfactory after being given time and help to improve, and providing sufficient back-up documentation to support termination decisions.

The Department of Personnel should develop the framework of management tools and support services needed by line management to implement this policy of accountability. The Department of Personnel's responsibilities in this area should include:

- Designing and maintaining the overall administrative framework to assist and facilitate the efforts of line management to carry out their responsibilities for performance appraisal, including necessary forms, manuals, and time frames;
- Providing technical assistance to line management in job analysis and performance standards development;
- Developing and implementing training programs and a comprehensive strategy for training all management and supervisory personnel in

the use of techniques for setting goals and standards, communicating with employees, and conducting performance appraisals;

- Providing in the pay plan a salary range for each class, including classes currently compensated on a flat rate basis, with flexibility for line management to set the pay of individual employees within these ranges based on documented performance evaluations and subject to appropriate fiscal constraints such as midpoint budgeting or a predetermined merit increase pool;
- Monitoring agency implementation and recommending improvements to ensure that the policy is carried out objectively, fairly, and defensibly.

These changes obviously cannot be accomplished overnight. Department of Personnel should develop, with consultant assistance if necessary, a time-phased plan outlining the tasks and resource requirements for developing and implementing the necessary systems and services described above.

APPENDIX A

MINORITY STATEMENT

The undersigned members of the Commission do not agree that the difference between the Baltimore and Washington, D. C. Metropolitan areas is not significant enough to warrant a geographic pay differential for State employees. We believe that the current pay system has resulted in State agencies located in this area having significant problems in hiring and retaining qualified personnel to serve the needs of the citizens. At present, the State cannot successfully compete in these counties with the Federal government or the county government in attracting and retaining good personnel.

The local governments have attempted - not entirely satisfactorily - to alleviate this situation. For example, Montgomery County supplements the salaries of State employees in certain State agencies located in the County. This salary supplementation amounts to over $1 million annually. We do not believe that the County taxpayers ought to be required to carry this extra burden. But for those State agencies not receiving the supplements, a situation exists in which there can be as much as a $10,000 salary differential between State employees and the more highly paid County employees who may be working side by side.

This situation is demoralizing for the State employee, adversely affects productivity and results in increased turnover. Ultimately, the increased turnover results in a less efficient work force which diminishes the quality of public service received by taxpayers.

While we acknowledge that adoption of the Commission's first recommendation - increased competitiveness of the entire compensation structure -

will alleviate this problem to a certain extent, we do not believe that this step alone is sufficient.

Therefore, we strongly urge that the consultant's compensation survey be structured to measure geographic differentials when assessing the competitive adequacy of the compensation levels; and that the final compensation structure adopted reflect the results of that survey.

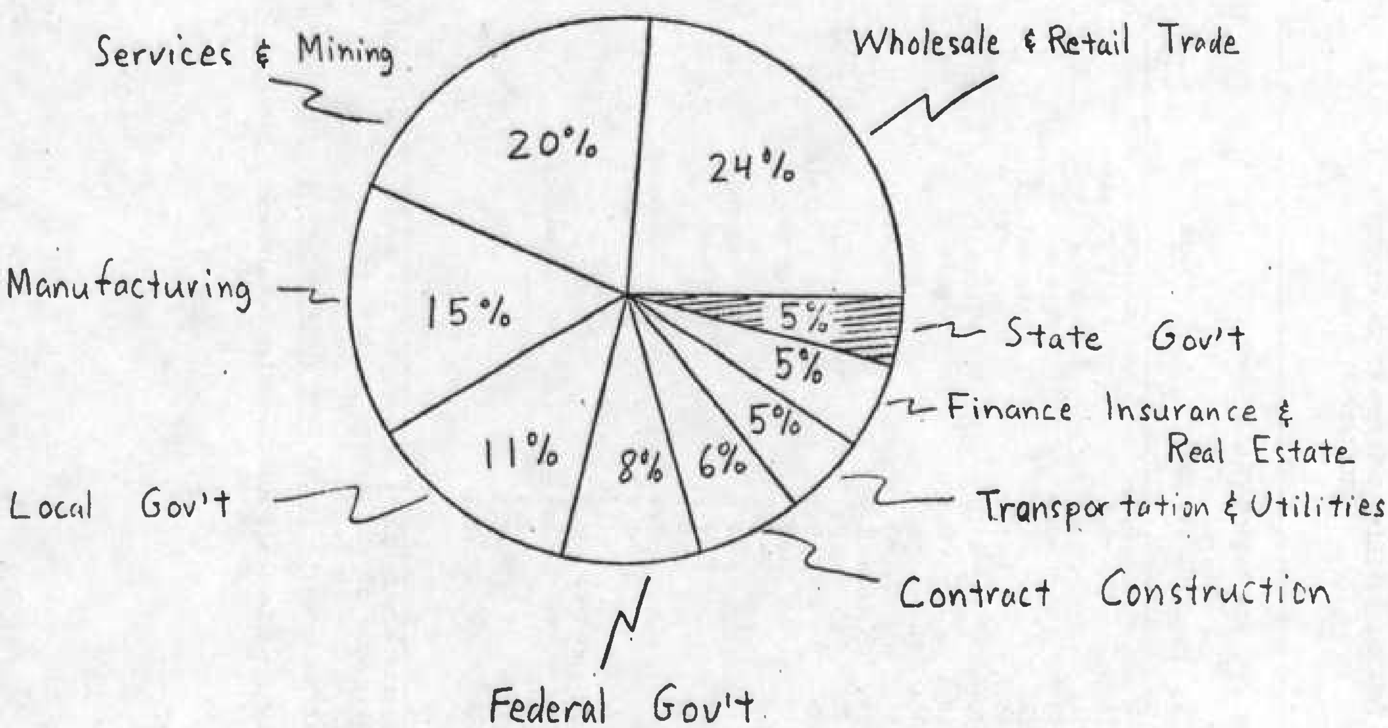
Hon. Laurence Levitan

Hon. Nancy K. Kopp

APPENDIX B

Chart A

Distribution of Employment in Maryland by Sector
1978
(All Occupations)



Source: Md. Dept of Human Resources, Research & Analysis Div., Nonagricultural Wage & Salary Employment.

Table 1

NO. 68

FEDERAL CIVILIAN GOVERNMENT EMPLOYMENT BY STATE*:
DECEMBER 31, 1978

STATE	FEDERAL CIVILIAN EMPLOYMENT	PERCENTAGE CHANGE DEC. 31, 1976–DEC. 31, 1978	STATE	FEDERAL CIVILIAN GOVERNMENT	PERCENTAGE CHANGE DEC. 31, 1976–DEC. 31, 1978
TOTAL U.S.A.	2,723,145	0.2	Louisiana	31,384	0.6
California	290,052	-0.5	South Carolina	31,358	0.9
Washington, D.C.	208,051	1.6	Minnesota	29,417	-0.7
New York	166,194	-0.2	Oregon	26,797	3.4
Texas	148,022	-1.2	Mississippi	26,794	9.2
Virginia	144,075	1.3	New Mexico	26,451	-2.7
MARYLAND	130,370	-2.0	Wisconsin	26,206	-0.4
Pennsylvania	128,018	0.1	Hawaii	25,005	0.4
Illinois	101,687	-1.2	Kansas	22,576	-1.6
Ohio	89,444	-3.1	Connecticut	21,035	1.3
Florida	79,264	1.2	Iowa	19,050	-0.5
Georgia	75,941	0.3	Arkansas	18,408	0.6
New Jersey	68,650	-0.8	West Virginia	15,723	1.2
Tennessee	68,043	18.4	Nebraska	15,423	-1.8
Missouri	65,048	-1.6	Alaska	15,339	-3.2
Alabama	59,857	1.1	New Hampshire	14,672	9.9
Washington	58,882	2.1	Montana	12,366	0.5
Massachusetts	57,760	0.2	Idaho	10,517	1.9
Michigan	53,350	-1.0	South Dakota	9,865	-8.7
Colorado	47,932	-1.4	Rhode Island	9,390	-2.8
Oklahoma	46,834	-1.3	Maine	9,242	-0.2
North Carolina	41,840	0.5	Nevada	9,218	1.7
Indiana	40,165	2.6	North Dakota	8,316	-6.7
Utah	34,565	-1.5	Wyoming	6,398	1.5
Arizona	34,473	-0.2	Delaware	4,990	-3.5
Kentucky	34,264	-3.2	Vermont	4,424	2.1

*Reader is cautioned that all figures are by place of work and therefore include residents of different jurisdictions. This is especially true of the Washington, D.C. area.

Source: U.S. Office of Personnel Management, Annual Geographic Survey.

Reprinted from: Maryland Department of Economic and Community Development, Maryland Statistical Abstract, 1979.

Table 2

Non-Agricultural Employment in Maryland

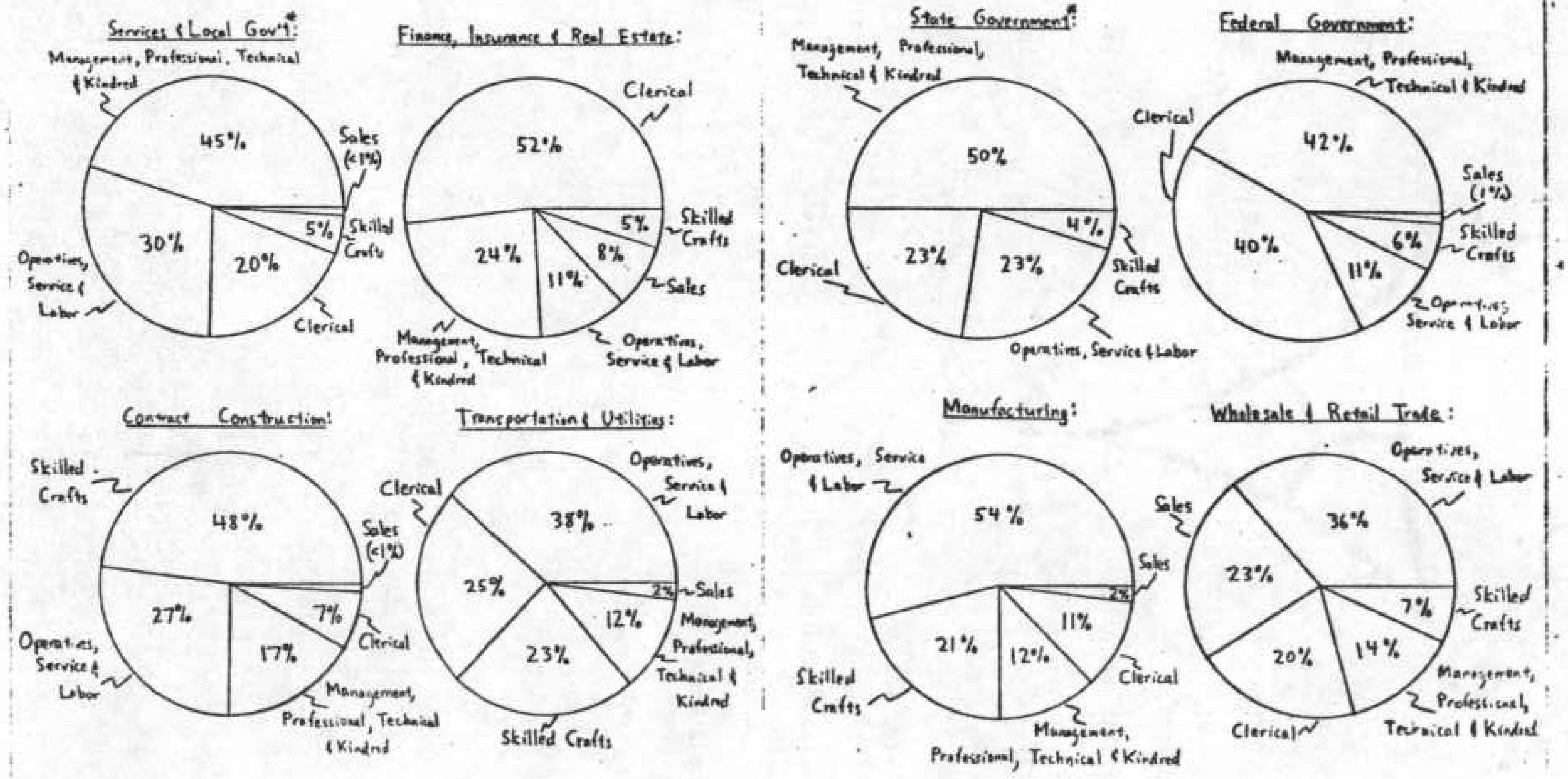
1978

	Employment (1000's)	Payroll ($ Billions)	Average Pay/Employee
Manufacturing	242.0	$ 4.114	$17,000
Contract Construction	102.5	1.596	15,571
Transportation and Utilities	84.6	1.588	18,771
Wholesale and Retail Trade	378.6	4.113	10,864
Finance, Insurance and Real Estate	85.6	1.293	15,105
Services and Mining	317.3	4.544	14,321
Federal Government	131.1	2.559	19,519
State and Local Government	251.9	3.183	12,636
Total	1,593.6	$22.990	$14,426

Source: Md. Department of Economic and Community Development, Maryland Statistical Abstract, 1979, pp. 106 and 132.

Chart B

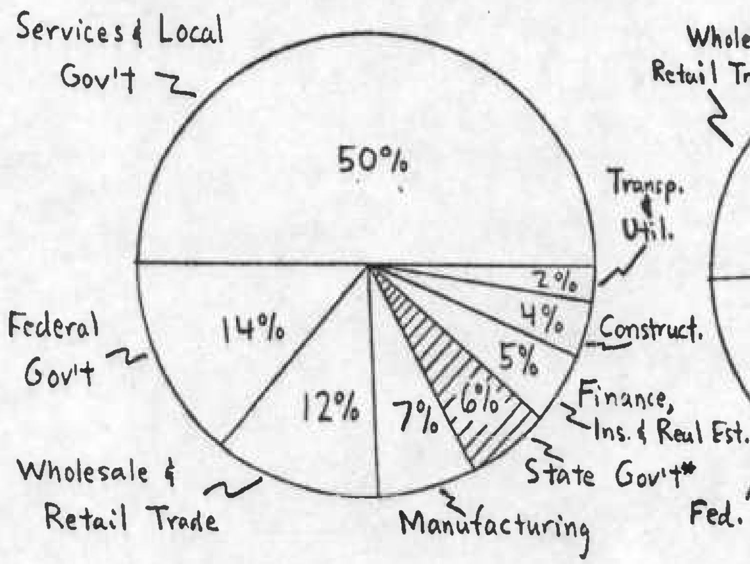
Occupational Mix of Maryland Employers
Major Sectors



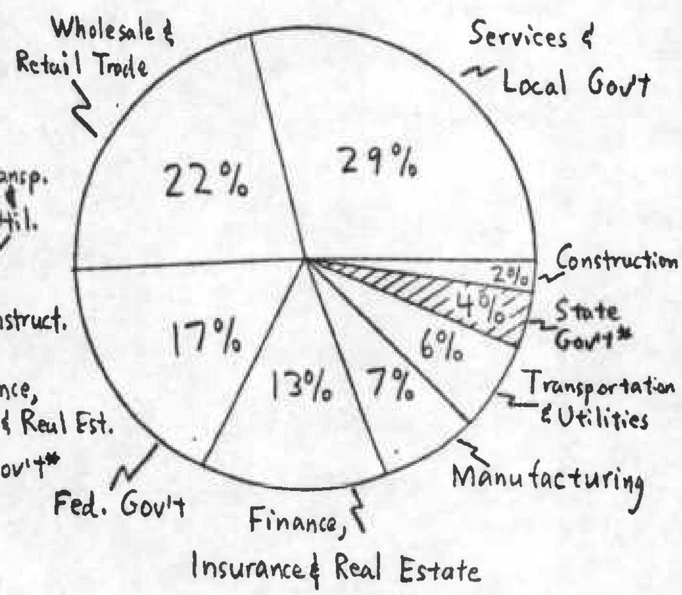
* State Gov't figures exclude University of Md. & Mass Transit Admin.; Service & Local Gov't figures include State hospital & education employees.
Sources: Md. Dept. of Human Resources, Research & Analysis Div., State & Area Projections Project; Md. Dept. of Personnel, Annual Activities Report, 1978.

Chart C
Employment in Maryland
Major Occupational Groups

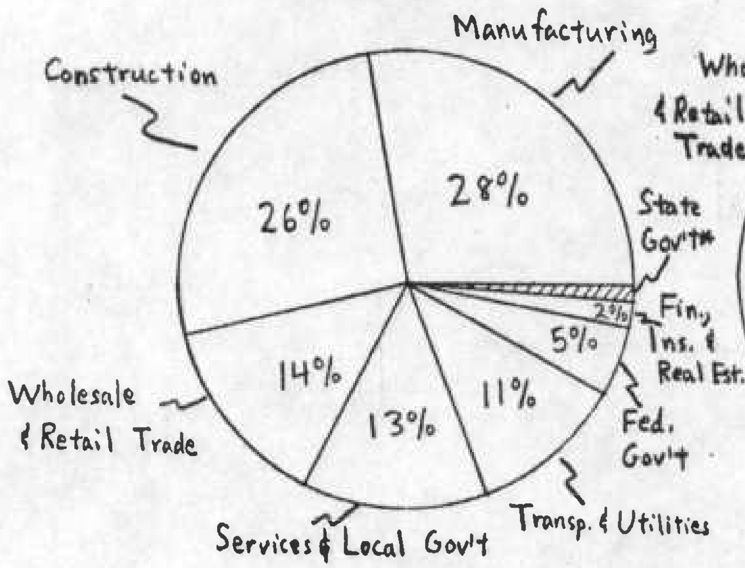
Management, Professional, Technical & Kindred:



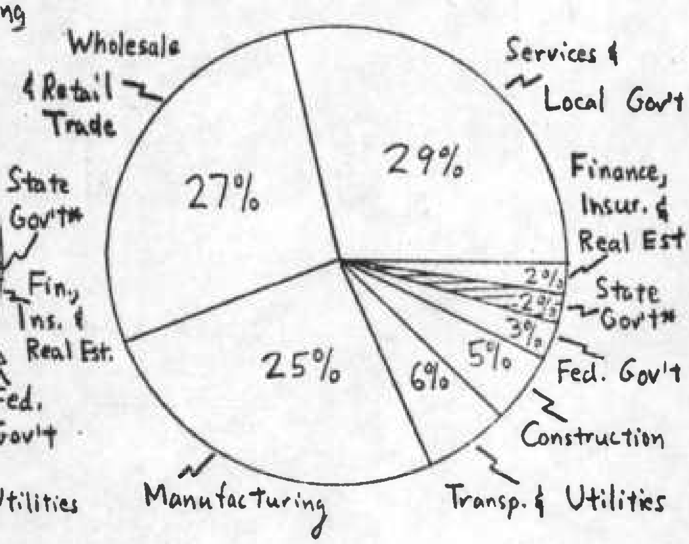
Clerical:



Skilled Crafts:



Operatives, Service & Labor:



*Excludes University of Md. and Mass Transit Admin.

Note: Data compiled from several sources which may not be strictly comparable. Percents shown should be interpreted as rough approximations.

Table 3

Geographic Distribution of State Employees

1978

Baltimore Metro area	50,634	72%
Washington Metro area	9,776	14%
Western Maryland area	3,365	5%
Eastern Shore area	4,120	6%
Southern Maryland area	860	1%
Other/Information not available	1,179	2%
	69,934*	100%

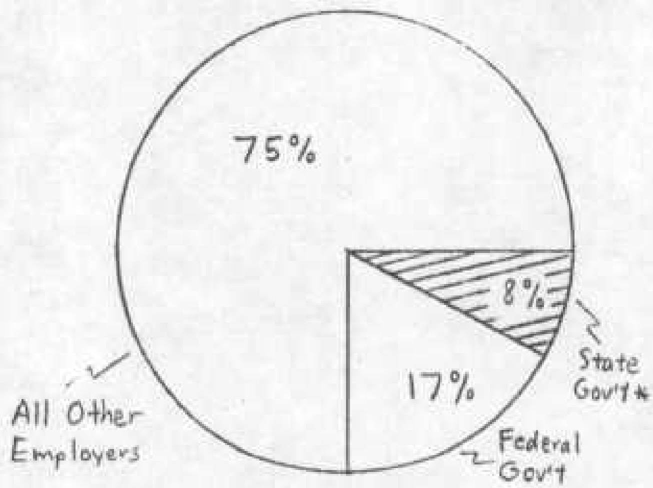
* Excludes 8,768 contractual employees. Geographic location information was not readily available for contractual employees.

Sources: Maryland Department of Personnel, Annual Activities Report, 1978: and The Maryland State Budget for the Fiscal Year ending June 30, 1980.

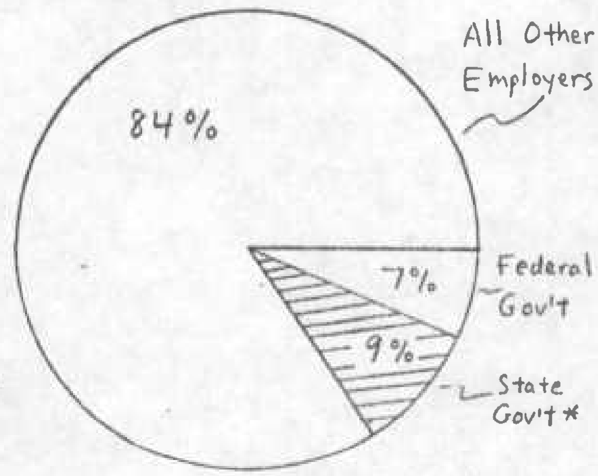
Chart D

State Government's Relative Importance in the Statewide Labor Market – Illustrative Occupations

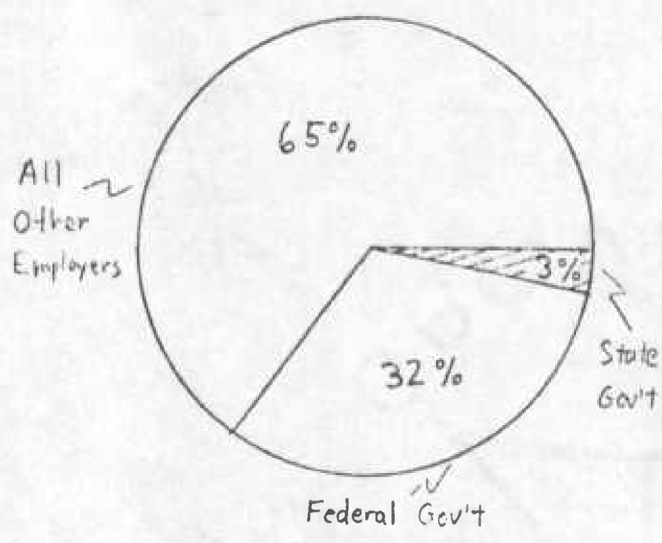
(1) Stenographers, Typists & Secretaries:



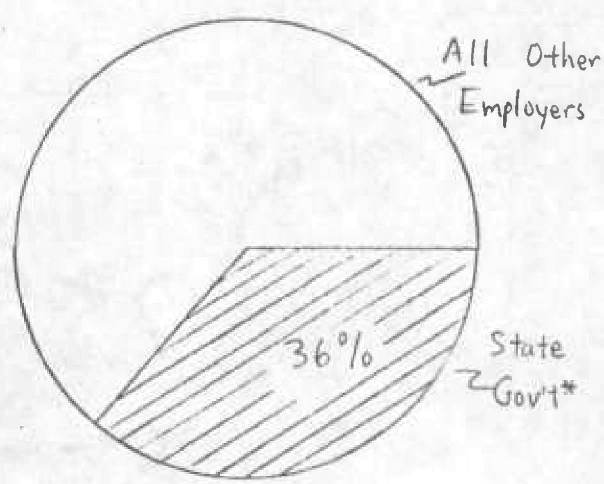
(2) Professional Nurses:



(3) Computer Programmers & Analysts:



(4) Social Workers:



*Excludes University of Maryland and Mass Transit Admin.

Note: Data compiled from various sources which may not be strictly comparable. Percents shown should be interpreted as rough approximations.

TABLE 4

Comparison of State Average Pay with Private Sector Pay
Sampled Occupations

Bureau of Labor Statistics Title	State Title	State Pay Grade	Private Avg. Pay Balto.	Private Avg. Pay D.C.	State Avg. Pay	% Difference Balto.	% Difference D.C.
Professional							
Attorney V	Principal Counsel	$40,600 F.R.	$51,859		$40,600	27.7%	
Chief Accountant III	Fiscal Admin. IV	21	42,736		32,274	32.4%	
Attorney IV	Asst. A.G. VI	21	42,498		34,183	24.3%	
Personnel Director III	Personnel Admin. III	20	39,329		32,163	22.3%	
Engineer IV	Engineer V	17	29,625		24,594	20.5%	
Accountant IV	Fiscal Specialist I	15	27,204		21,535	26.3%	
Job Analyst IV	Personnel Officer I	15	27,368		21,636	26.5%	
Auditor III	Acct. Auditor IV	14	22,907		19,554	17.2%	
Secretarial and Office							
Secretary B	Office Secretary III	9	$14,208	$16,494	$14,166	.3%	16.4%
Secretary D	Office Secretary I	7	13,254	13,520	11,891	11.5%	13.7%
Stenographer, Sr.	Steno Clerk III	6	12,664	13,925	10,180	24.4%	36.8%
Typist A	Typist Clerk IV	6	11,372	11,357	11,240	1.2%	1.0%
Account Clerk B	Fiscal Clerk I	6	10,895	10,275	10,402	4.7%	(1.2%)
Data Entry Operator B	Data Dev. Opr. I-III	3-6	10,614	11,681	10,289	3.2%	13.5%
File Clerk B	Office Asst. II-III	3-5	9,828	9,383	9,546	3.0%	(1.7%)
Trades and Labor							
Stationary Engineer	Stationary Eng., 1st	10	$8.79	$ 9.44	$7.14	23.1%	32.2%
Maintenance Electrician	Electrician	9	9.59	11.18	6.34	51.2%	76.2%
Maintenance Carpenter	Carpenter, Trim	9	9.00	10.43	6.84	38.8%	60.9%
Maintenance Painter	Painter	9	7.65	7.96	6.46	18.4%	23.2%
Maint. Mech. (Motor Veh)	Auto Servs. Specialist	9	9.44	9.75	6.58	43.5%	48.2%
Truck Driver, Medium	Motor Equip. Operator	7	6.76	7.78	5.92	14.2%	31.4%
Mat. Handling Laborer	Stock Clerk I-IX	c	7.13	6.03	4.44	60.7%	35.9%
Janitor	Service Worker I-IX	c	4.17	3.77	4.52	(8.4%)	(19.9%)

Data Source:

Professional: National Salary Survey of Professional, Administrative, Technical and Clerical Pay, March 1980. Reported average salaries increased 4% for private sector payraises from March to October.

Office and Trades: Area Wage Survey, Baltimore Metropolitan Area, August 1979. Reported average salaries increased 8% for private sector payraises from August 1979 to October 1980.
Area Wage Survey, Washington D.C. Metropolitan Area, March 1980. Reported average salaries increased 4% for private sector payraises from March to October.

TABLE 3

Relative Movement of Maryland Salary Structure
Compared to Increases in State Personal Income,
State Revenues and Expenditures, and External Competitive Pay Rates

	Growth in Maryland Personal Income[1]		State Budget Growth			Adjustments to State Salary Structure		Increase in External Prevailing Rates			
	Total	Per Capita	General Fund Expenditure[2]	Total Expenditure[2]	General Fund Revenue[3]	Bottom	Grade 18	Professional, Admin & Tech[4]	Office, Clerical[5]	Skilled Maint Trades[5]	Unskilled Workers[5]
1972 - 1973	10.8%	10.3%	14.3%	18.3%	17.6%	0	0	5.4%	5.9%	6.9%	5.2%
1973 - 1974	9.3%	8.9%	11.2%	16.0%	11.8%	21.3%	6.8%	6.3%	8.9%	9.9%	9.1%
1974 - 1975	8.5%	7.7%	5.3%	14.5%	5.1%	9.8%	3.0%	8.3%	9.4%	11.3%	11.6%
1975 - 1976	10.4%	10.3%	17.0%	11.7%	15.0%	0	0	6.7%	7.8%	8.8%	9.0%
1976 - 1977	8.3%	8.0%	8.4%	10.2%	12.5%	7.2%	5.0%	7.1%	5.8%	8.6%	5.6%
1977 - 1978	9.9%	9.7%	10.1%	11.8%	14.6%	11.0%	3.0%	8.3%	8.1%	8.8%	10.7%
1978 - 1979	9.5%	9.4%	16.6%	9.9%	14.7%	7.5%	6.0%	7.7%	8.1%	9.7%	9.0%
Cumulative Growth: 1972-1979	89.1%	84.9%	118.2%	137.7%	135.0%	70.3%	26.1%	61.7%	68.2%	84.4%	77.9%

Sources:

1 U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business.

2 Fiscal Year Appropriations from Md. Department of Fiscal Services, The Budgetary Process and Program Evaluation; and The Maryland State Budget, FY 1981.

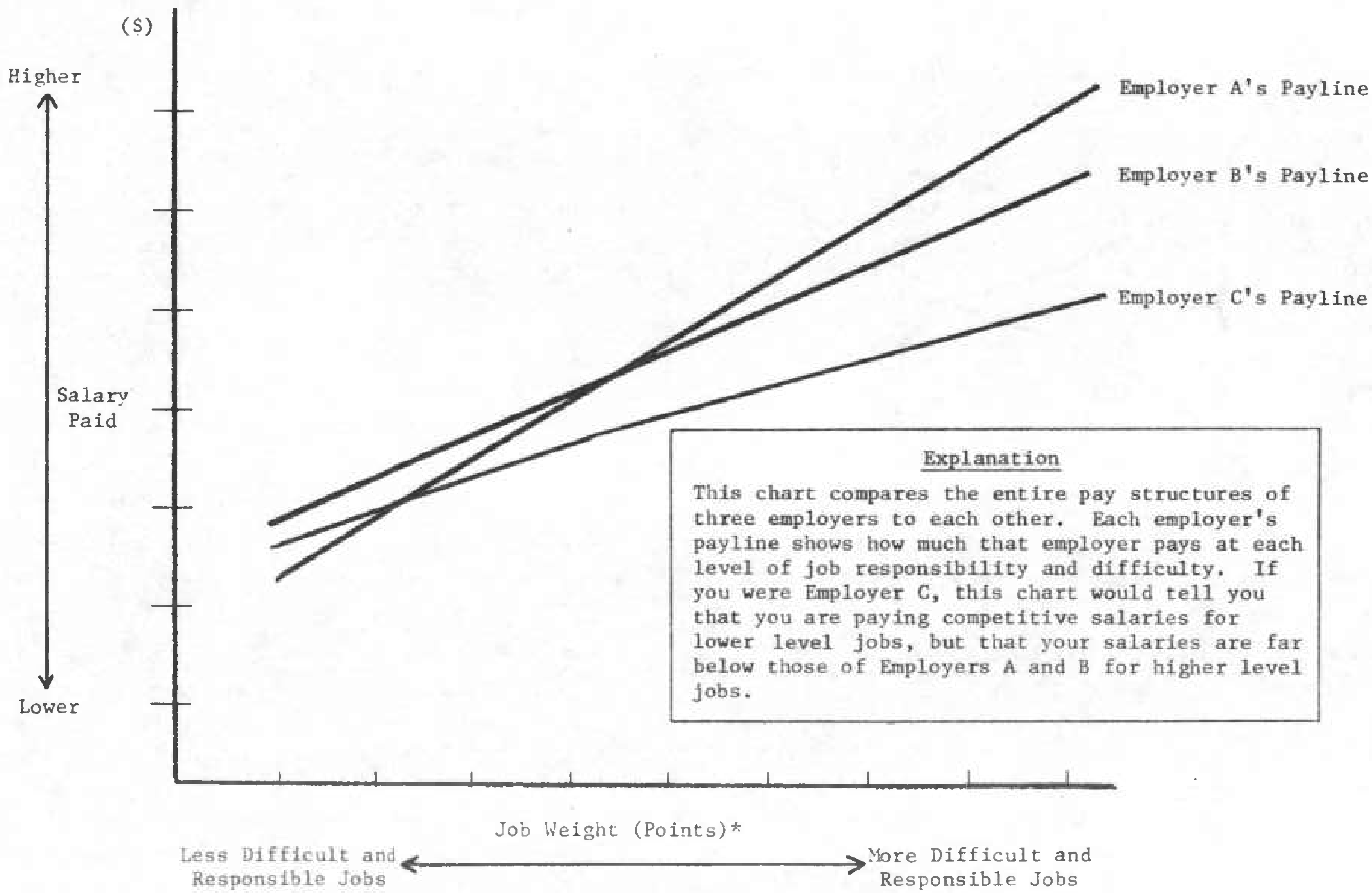
3 Actual General Fund Revenue data obtained from the Chief, Bureau of Revenue Estimates, Office of the State Comptroller of Maryland.

4 U.S. Department of Labor, Bureau of Labor Statistics, National Survey of Professional, Administrative, Technical, and Clerical Pay, March, 1979.

5 U.S. Department of Labor, Bureau of Labor Statistics, Area Wage Survey, Baltimore, Maryland Metropolitan Area, August, 1979.

CHART E

Illustration of Payline-to-Payline Method of Comparison



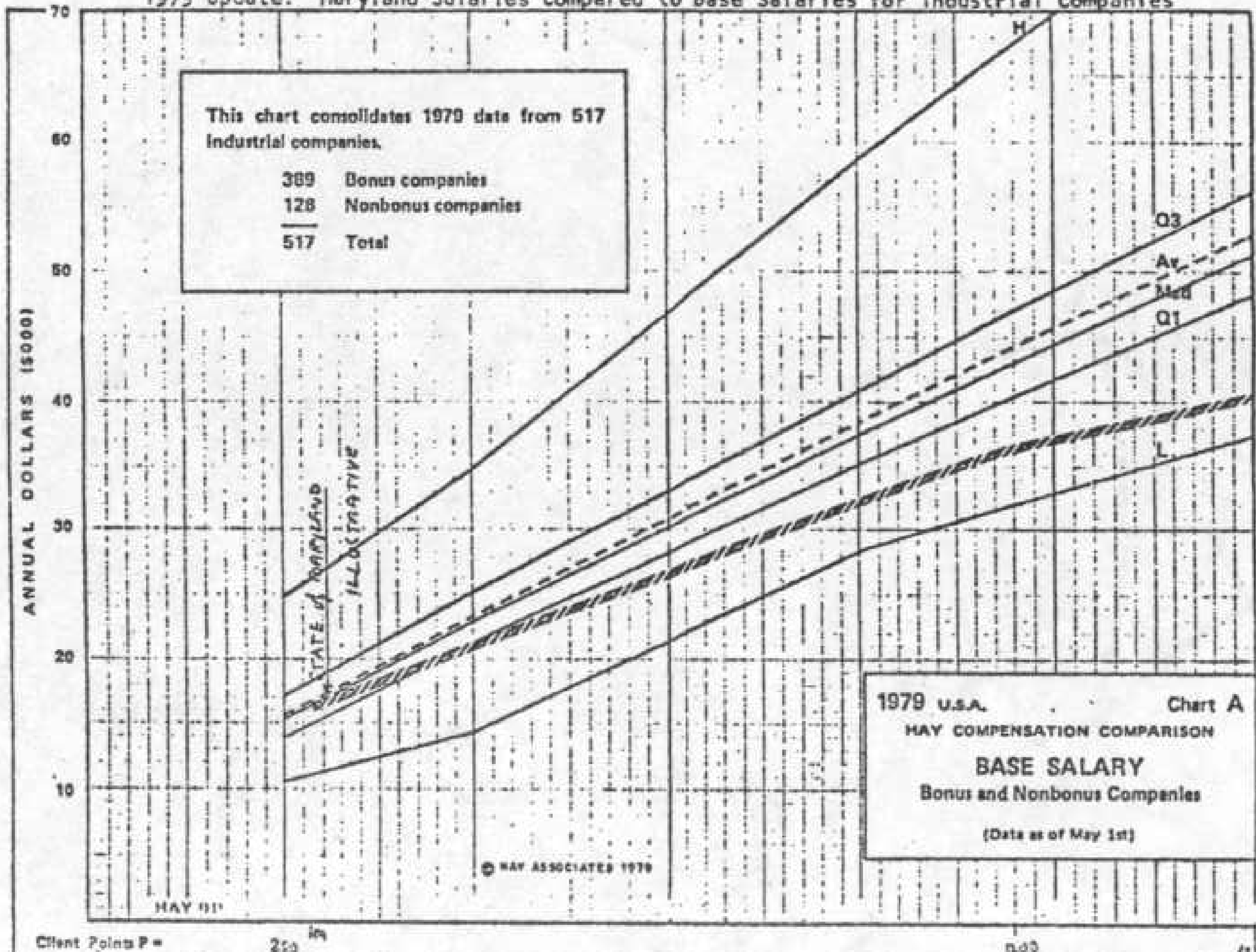
Explanation

This chart compares the entire pay structures of three employers to each other. Each employer's payline shows how much that employer pays at each level of job responsibility and difficulty. If you were Employer C, this chart would tell you that you are paying competitive salaries for lower level jobs, but that your salaries are far below those of Employers A and B for higher level jobs.

* A common set of factors is used to rate the jobs of all employers, so that they can be compared on the same scale.

CHART F

1979 Update: Maryland Salaries Compared to Base Salaries for Industrial Companies



Client Points P =	250		1000	1500
Highest	$24.5	$34.7	$58.8	$80.4
P90	18.8	26.9	44.8	62.8
Quartile Q3	17.0	25.1	40.9	56.3
Median	15.2	22.8	37.5	51.4
Quartile Q1	13.8	21.2	35.2	48.3
P10	12.7	19.8	33.2	45.5
Lowest	10.5	14.3	28.4	37.4
Average -----	15.5	23.2	38.5	53.0

Q3 and Q1 enclose middle 50% of Company median lines

16.2 20.9 32.1 36.5 42.7

APPENDIX C

GLOSSARY

ANNUAL LEAVE

This is a vacation which is earned in the following manner:

a. 10 days vacation per year during years 1 through 5
b. 15 days vacation per year during years 6 through 10
c. 20 days vacation per year during years 11 through 20
d. 25 days vacation per year from year 21 onward

(Reference: DOP Reg. 06.01.01.42B)

ANNUAL SALARY REVIEW (ASR)

The Annual Salary Review process amends the State's pay plan for specific classes of positions when recommended by the Secretary of Personnel and approved by both the Governor and General Assembly. Such amendments may add new classifications to the pay plan, or alter the pay of existing classes.

(Reference: Article 64A, Subsection 27 (a))
(See: Analysis of Compensation Practices, Hay Associates, Dec. 1977, Vol 4 of 4, pp. 64)

APPOINT, APPOINTMENT, SERVICE

These are terms used in lieu of "hire", "employment", and "period of employment" which have carried forward from the period when government employment was viewed as quasi-military in concept. Now that working for the government is commonly viewed as little different than working for any other employer, the generally recognized terms are returning to use.

APPOINTING AUTHORITY

A State officer or employee who has statutory or delegated authority to make hiring decisions.

(Reference: DOP Reg 06.01.01.01 B (1))

CLASS

A class is a group of positions which are considered to be similar enough to be treated alike for purposes of recruiting, examining, and pay.

Technical: "Class" means a group of positions established under Department of Personnel regulations which are sufficiently similar in respect to entrance qualifications, and duties and responsibilities that the same descriptive title may be used to designate them; the same requirements as to education, experience, knowledge, and ability may be demanded of applicants; the same test of fitness used to choose qualified incumbents; and the same rate of compensation made to apply with equity.

(Reference: DOP Reg. 06.01.01.01 B(4))

CLASSIFICATION

a. See "Class"
b. The process of grouping positions into classes according to established criteria.

CLASS SPECIFICATION

This is a document which describes the duties, responsibilities, essential knowledges/aptitudes, and minimum qualifications for a specific class.

(Reference: DOP Reg. 06.01.01.09)

CLASSIFIED SERVICE

The classified service means all employment within State Government for which employees are hired from eligible lists and protected from firing except for cause through established due process procedures.

Technical: The Classified Service includes all offices of profit or trust and all permanent and temporary places of employment which are in the service of any State officer, department, commission, board or institution, other than those in the military forces, and other than those enumerated in Article 64A, sections 3 and 4.

(See: Article 64A, Section 1 and Article 64A, Section 33)

COMPENSATORY TIME

Compensatory time is time off with pay which is granted to compensate employees who have worked beyond the normal work week or on a holiday. This may be available to employees who are not designated as subject to mandatory cash overtime payments.

(See: Article 100, Section 76, and DOP Policy 2, paragraphs F and H)

CONTRACT EMPLOYEE

This is an employee under contract to render temporary special service for the State. The contract employee is not considered either classified or unclassified and does not normally hold an "authorized position".

(Reference: Article 64A, Section 1 and Article 64A, Subsection 15 (a))

ELIGIBLE LIST

This is a list of candidates who passed the merit system examination for a particular class, ranked by score.

(Reference: Article 64A, Section 22)

EMERGENCY EMPLOYMENT

This is short-term employment which is not developed from an eligible list because of emergency conditions that may cause the stoppage of public business. Such employment is limited to a period of 60 days.

(See: DOP Reg. 06.01.01.36)

EXAMINATIONS

Examinations consist of any oral or written evaluation of fitness including education and experience. Examinations are held by the Secretary of Personnel to establish lists of persons eligible for appointment to a class.

(See: DOP Reg. 06.01.01.18)

EXEMPT CLASSES

a. This term has frequently been used to mean classes in the unclassified service.
b. Usage to indicate classes of positions not eligible for overtime payments (executive, administrative, professional) as in Fair Labor Standards Act terminology, is not generally recognized in State government as different standards legally apply.

(Reference: Article 100, Section 76, and DOP Policy 2, paragraph H)

ELIGIBLE CLASSES (Non-Exempt)

These are classes entitled to overtime payments for work in excess of the normal work week. Usage of "Non-exempt" as in Fair Labor Standards Act terminology is not generally recognized in State government.

(Reference: Article 100, Section 76, and DOP Policy 2, paragraph H-2)

FLAT RATE

A flat rate is a fixed salary (in the sense that there are no increment steps) established for special classifications for a period of two years or less. The two year period is directory rather than mandatory.

(Reference: Article 64A, Subsection 30(a))

GRADE (Scale or salary scale)

A grade is one of the salary ranges fixed in one of the standard salary schedules. Each grade of the primary salary schedule has a base (entry) pay rate, and six additional pay rates (called increment steps) which are attained by an employee based on length of satisfactory employment. Every class is assigned to a grade, a flat rate, or other pay range.

(See: Article 64, Section 30, State of Maryland Salary Plan)

GENERAL PAY COMPARABILITY INCREASE (Decrease)

This is a general pay increase (decrease) which changes the entire State pay structure, directly increasing or decreasing the pay of nearly all State employees.

Technical: The General Pay Comparability Increase/Decrease amends the pay plan by:

1) establishing new standard salary schedules which provide higher (lower) dollar amounts for each grade and step, and
2) raising (lowering) all flat rate salaries except for those specifically excluded by law.

The increase (decrease) is recommended by the Secretary of Personnel based upon consideration of prevailing rates of pay in the public and private sectors, the relative value and comparability of services provided, living costs, and the State's financial condition and policies, and is subject to approval by the Governor and General Assembly.

(See: Article 64A, Subsection 27 (a))

GEOGRAPHIC PAY DIFFERENTIAL

This is additional compensation provided to employees based on the necessity to compete in a local labor market where prevailing rates of pay are significantly higher. It also may be based on the necessity to compete in a region which has a significantly higher cost of living.

INCREMENTS

The State's Standard Salary Schedule presently has grades which contain a base level of pay followed by six step increases. The annual incremental pay or "step" increase within a grade is called an increment. The term increment is also generally applicable to the individual pay rates contained within pay grades of other salary schedules.

JOB EVALUATION

Job evaluation is a process for determining the relative value of a job as compared to other jobs within an organization without regard for labor market salary rates or the incumbent's performance. It addresses the internal ordering of pay relationships, rather than the external competitiveness of the rates actually paid.

LONGEVITY PAY

This is additional compensation granted solely for attaining a length of service. Typically such payments are in addition to the rates of the pay grade.

MERIT PAY

This is a pay mechanism that recognizes variances in employee capabilities and work performance by tieing the individual's pay to the level of performance.

MIDPOINT BUDGETING

Midpoint budgeting is one procedure for controlling salary expenditures to the amount budgeted. It requires that the annual budget for each Department include salary costs not to exceed the total of the midpoint of salary ranges for the budgeted positions.
(Within grade pay increase systems, whether merit or automatic, must be made compatible with the budgeting system).

(Reference: Analysis of Compensation Practices, Hay Associates, Dec. 1977, Vol. 1 of 4, pp. 18)

MINIMUM QUALIFICATION REQUIREMENTS

These are criteria for the initial screening of job applicants, traditionally expressed in terms of quality and quantity of education and experience, which an applicant must meet or exceed in order to compete further in the Merit System selection process (examination, interview, on-the-job probationary period) for a particular class.

(See: DOP Reg. 06.01.01.20 and 06.01.01.17)
(EEO law requires that such screening criteria be demonstrably job-related)

NON-EXEMPT

As described in the Fair Labor Standards Act, these are classes of employees who are entitled to cash overtime payments at premium rates. (The term is not generally used in State government as different standards apply.)

(Reference: Article 100, Section 76)

PERFORMANCE EVALUATION

A performance evaluation is a determination of an employee's efficiency and effectiveness as measured against established performance standards.

PERFORMANCE STANDARD

A performance standard is a qualitative/quantitative work production level that is established so that an employee's output can be compared and measured against an objective norm. It is a written description of what a job incumbent must do or accomplish to perform a specific duty in a manner fully satisfactory to his superiors. It represents a criterion or yardstick which is understood and accepted as the basis upon which an employee's performance will be measured and judged in terms of time, quality, and quantity.

(See: DOP Reg. 06.01.01.38a)

PERMANENT POSITION

Any State position which requires the services of an incumbent without interruption for a period of over 6 months is a permanent position.

(Reference: DOP Reg. 06.01.01.01 B (16))

PERSONAL LEAVE

This type of leave is in addition to vacation, holidays, and other paid time off. Every State employee is entitled to three Personal Leave days with pay in any calendar year. It may not be accumulated, and unused Personal Leave is forfeited.

(Reference: Article 64A, Subsection 37(a))

PERSONNEL POLICY 7 (Interchangeable Class Groupings)

This Department of Personnel policy establishes some groups of class titles which may be used "interchangeably". The concept of interchangeable class groupings is that of one job (one set of duties and responsibilities) spread over two or more salary grades and class titles, wherein as a matter of compensation policy and practice, workers doing the job receive grade level increases based on time on the job (plus satisfactory work performance) in addition to grade step increases on the same basis. In effect, "interchangeables" represent a seniority based pay system, the minimum qualification indicating how much pay goes with how much seniority. Approximately 25% of class titles embracing approximately 60% of positions are covered by Personnel Policy 7.

PERSONNEL POLICY 8

This policy delegates the authority to make certain position classification determinations to Secretaries of Departments and Heads of other State agencies according to classification standards promulgated by the DOP.

(Reference: DOP Policy 8)

POSITION

An authorization to employ on a permanent basis, one employee to perform a specified set of duties and responsibilities, normally approved through the budget process. Classified and unclassified employees hold positions; contractual employees do not. Temporary and part-time employees hold "positions" which are not counted as part of the State's budgeted position complement.

PROMOTION

Promotion is a change from one class to another class with a higher maximum rate of compensation.

(Reference: Article 64A, Subsection 18(e))

PREVAILING RATE

This is the current rate or range of rates of pay for comparable duties and services within the private and public sector where the State competes for staff.

(See: Article 64A, Subsection 27(a))

RECLASSIFICATION

Reclassification is any change of a position from one classification to another classification. The change may involve an increase, decrease, or no change in rate of pay for the position and incumbent.

(Reference: 1979 Salary Plan, pp. V)

RED CIRCLE RATE

This is a level or rate of compensation paid to an employee above that justified by present performance or work assignment. This may be caused by a change in job content, "burn out," or an incorrect earlier job or performance evaluation. The employee is held or "red circled" at this rate until his performance or work assignment justifies an upward rate change. Some pay administration systems provide no general pay increase for those in red circled rates, others provide partial increases.

RULE OF FIVE

The Rule of Five is a requirement that the appointing authority fill a classified vacancy from among the five highest persons on the eligible list for that class who are willing to accept the position.

(See: Article 64A, Section 17)

SALARY RANGE

A salary range designates the minimum to maximum salary levels for a job classification, and is one level of a salary schedule.

TEMPORARY EMPLOYEE

This is an employee appointed due to the pressure of work for a period which does not exceed 6 months.

(Reference: Article 64A, Section 24)

TURNOVER RATE

The turnover rate is a measure of the rate at which people leave an organization during a year's time.

Technical: $\frac{\text{Total leaving the organization that year}}{\text{Average total number of employees for that year}}$

(A number of different similar definitions are used, depending on the precise use for which the rate is intended.)

UNCLASSIFIED SERVICE

The unclassified service means those employees who are not contract employees and who are not classified employees. Employees in the unclassified service are not hired from eligible lists and are not protected from termination by the "removal for cause" provision of the classified service. (Their compensation may or may not be administered the same as for classified employees; this is an entirely separate issue.) Generally the unclassified service includes elected and appointed officials and some of their staff, faculty, key appointments, personnel who require medical, engineering, scientific, educational, or expert training and qualifications and any other personnel exempted by statute.

(See: Article 64A, Sections 3, 4, and 33)
(Numerous specific exclusions are bound in statute.)

VACANCY LEVEL

This is the percentage of positions vacant at a given time.

VETERANS PREFERENCE

Veterans preference is a preferred treatment provided to U.S. Military veterans who are seeking employment with the State. Veterans are provided with an additional 5 to 15 points on all examinations which determine standing on the eligible list for a classification. Additionally, an appointing authority may not pass over a veteran on an eligible list without a substantial reason, which must be approved by the Secretary of Personnel.

(See: Article 64A, Sections 17, 18)

WORK WEEK

For full-time State employees the work week consists of 5 working days and not fewer than 35½ hours or more than 40 hours.

For part-time State employees the work week consists of not fewer than 2 working days and not fewer than 17-3/4 hours or more than 32 hours.

(Reference: DOP Reg. 06.01.01.42 A)